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Majles Sessions

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RESALAT Reports on Majles Sessions

* 12 Jan

92AS0519A Tehran RESALAT in Persian 13 Jan 92 p 5

[Unattributed report: "Report on Yesterday's Open Session of the Majles"]

[Text] Legislative and Parliamentary Affairs Division—The open session of the Majles was held yesterday morning with Hojjat ol-Eslam Karrubi presiding.

In this meeting, the speaker of the Parliament of Greece and his associates were present as guests. In welcoming them, Mr. Hashemian expressed hope that relations between the two parliaments will strengthen relations between the Islamic Republic of Iran and Greece.

'Ali Purmohammadi-Fallah, Astaneh-ye Ashrafiyyeh Deputy

The budget presented to the Majles follows the traditional pattern and is at times a copy.

'Ali Purmohammadi, the deputy from Astaneh-ye Ashrafiyyeh, spoke as the first pre-agenda speaker in yesterday's open session of the Majles and said in regard to the 1371 [21 March 1992-20 March 1993] budget bill: Despite all the efforts of the planners and budget writers in the ministries and government organizations, especially the experts of the Plan and Budget Organization (who must be thanked), unfortunately, a budget that is worthy of a revolutionary regime, one which makes the best use of the existing capabilities and competencies in the country, has not been presented. It, rather, follows the same traditional pattern of the past years and is at times a copy of it.

He said: From an intellectual standpoint, in that aspiration of a budget writing system, the elements that cause movement and change in the society must be viewed, and by examining the past motions and variables and determining the legitimate factors, a dynamic budget writing must be established.

What is important is not to copy the past operations disregarding the fluctuations by increasing or reducing a figure without an objective. Rather, we must make note of what factors might motivate or reform a course of action.

The Astaneh-ye Ashrafiyyeh deputy said: If we compare the national budget for 1371 with the country's first five-year plan, whether in terms of revenues or expenditures, we will see a growth of 88 percent and 78 percent, respectively, which indicates a lack of understanding by the planners of the actual capacity and potential of the country. Even if we look at the increase of 17.3 percent in inflation, which is the average of 14 years of inflation growth in the country, and calculate this figure with the fixed figure of 1368 [21 March 1989-20 March 1990], still we will have a growth of 30 percent, which indicates lack of attention to the existing realities, let alone the potential.

He said: Who is unaware that the capacity of the national mines are not being utilized? Who is unaware that the foreign currency resources are not being used properly? Who is unaware that the great manpower resources of the country are not being recognized and utilized? And more simple than all of this, who is unaware that of the 30 million hectares of arable land, about 11 million hectares is still being used inefficiently? Is the potential of the national forests and pastures being utilized?

On the one hand, we have a forest in which about 20 million hectares of trees are not being used and at times, due to the lack of operation, are destroyed. On the other hand, we see that the lumber and paper factories of Mazandaran have not been made operational and the Chuka lumber factory of Gilan is not operating at full capacity. From a different perspective, many unemployed people enter the job market every year, and the harm from their being unemployed is much more dangerous than the amount of investment that can create roads in the forests and make use of the lumber needed for factories and domestic needs, which can help the country not to rely on imports to meet part of its paper needs. Through planning, with contracts and special conditions with cooperative companies, with actual or legal persons, under the supervision of the organization for forests and pastures, the forests can be revitalized and operated by planting trees, with the help of those who live near the forests who can maintain and operate them once again for future needs.

He added: The expertise of the national planners is, when a fund is allocated to a project, to anticipate the additional factors in the implementation of the project, such as materials, techniques, and other tools of management, in time and to place them at the disposal of those carrying out the project in order to make it operational in the shortest possible time, rather than spending an inordinate amount of time approving a project and allocating funds to it, having to sign agreements with contractors, waiting for months and counting the days for the needed materials. In the winter, too, due to snow and rain, activities stop, and at the end of the year, the inability to absorb the budget is blamed on one person or other. If the president and the ministers are chosen from among the strongest people in the country, they will not be able to accomplish anything alone, without making use of the competent planners, even though their talent is to provide the general direction for the middle-level managers. It is the managers of specialized organizations and planners who must, through research and making use of lower-rank managers and identifying the capabilities and capacities of the society, mindless of political considerations, collect the necessary budgets and by combining the data report the plans and proposals, including setting priorities, sincerely to the decisionmaking administrators.

In continuation, Purmohammadi-Fallah pointed out: Considering that in the next session of the Majles, the national budget bill will come to the floor of the Majles for examination and final approval, and despite the fact that no significant change has taken place in the committees and the plan and budget committee, he pointed out that, due to the time constraints and impossibility of implementing the opinion of experts in the Majles, the proposals of the committees and the honorable representatives who have taken hours for discussions along with the plans and projects, for which the ministries and executive organizations have invested years in thorough studies, expert opinions and evaluation, should be approved across the board and the prioritizing system be made use of for their implementation. Determining the priorities and ranking the projects should be done through the Cabinet with consideration for the implementation capability of the organization and the overall availability of implementation factors. If problems occur or the implementation resources are not ready, the authority for shifting the projects based on priorities should be given to the executive organizations.

Pointing out that for years the advancement of sea water in the villages of Jirbagh and Dahand on the upper part of the Sefid Rud in Lahijan and Astaneh-ye Ashrafiyyeh has destroyed homes and other facilities, farms and orchards, he said: Finally, the plan to build buttresses and sea walls, which had been experimented with in the villages of Jirbagh, has been successful in halting the advancement of the sea. Hence, I propose that the Ministry of Energy carry out that project for the damaged areas in order to prevent the destruction caused by sea waves.

In another part of his speech, Fallah referred to the situation of Gilan Province and said: For years, no attention has been paid to Gilan Province, because it is green, and no fundamental investment has been made in it. The young people in this province who are eager to work either are a burden to their families or must go to other Iranian cities to find work. Hence, I propose that the minister of jihad take rapid action by making use of the foreign currency revenues from caviar in the northern part of the country to implement industrial fishing projects, packing industries and industries affiliated with fishing.

Ghaffar Esma'ili, Hashtrud Deputy

Ghaffar Esma'ili, the deputy from Hashtrud, was the second pre-agenda speaker. He referred in his speech to the blessed and valuable statements of the grand leader of the Islamic revolution to Bushehr Province and said: The fatherly kindness of His Reverence to the families of the martyrs and the oppressed people and his hopeful statements in support of the views of the late Imam concerning the elimination of deprivation and the establishment and expansion of social justice in the Islamic society as well as the need for the people's support for the government and the government for the people opened new channels for the regime's officials to establish justice and eliminate deprivation.

He added: The recent directives of His Honor in regard to the importance of the Majles elections, that the elections are a great dramatization of the presence of the people on the scene, have distinguished the government, the Majles, and our elections, as in the past, from those in other countries. All of the officials must do their best to achieve this objective.

The speaker also added: Because the prediction of the great leader of the revolution in regard to the disintegration of the greatest heathen power in the world and the victory of the Algerian Muslims came true, the West has been frightened and has taken a position against it with all its might. Because it is so worried, it has announced that this victory is a continuation of the Islamic revolution and will have its effect on Europe.

Continuing, Ghaffar Esma'ili said that certainly the exchange of opinions is a constructive factor and will promote ideas in the society. He said: Our revolution is not like other revolutions in the world. Providing for the needs and even creating social justice is a part of it. It is fundamentally different from the others, because morality and spirituality have a place in it. Without that principle, it is not authentic and cannot be guaranteed to survive. Hence, political factions in our society must stem from that principle of the revolution. It is then that every faction will announce its views and ideas, provide the grounds for political and moral growth, reform its culture, which is like the roots of a tree, and actualize unity. Otherwise, unity will be replaced by political conflict, and more importantly unsavory and noncommitted elements will join the factions. The beloved leader addressing the officials and the heads of the three branches in his effective and imam-like speech in Khordad this year [22 May-21 June 1991] said that the Imam has brought up the gist of the matter frequently in regard to these issues. Truly, return to the line of the Imam. Inspired by this revered and humble reaction of the leader, I say to the two factions and officials of the country that considering the sensitivity of the exportation of the culture of the revolution to the farthest parts of the world and the critical position of the degenerate United States, which is nurturing the thought of interference in the destiny of the countries in the world, avoid quarreling with each other and in practice let us respond positively to the sacred call of the leader, who said: "The Iranian people place no value on the U.S. regime. Who is the United States to make decisions about other nations?" Responding positively is the secret of unity, for which the heads of the three branches must think beyond the factions and guide the society behind the leader.

In regard to the quota of the combatants in the universities and the 1371 budget bill, he said: The 40-percent allotment for the combatants must be imposed in all the universities. Unfortunately, in one of the universities, it

has not been imposed with regard to the upper-level specializations. Hence, I ask emphatically for the law that has been ratified by the Majles to be implemented at the upper-level specialist and doctoral levels. Now that we are about to ratify the 1371 budget, the salaries of the employees, particularly teachers, must be taken into consideration. While educators and academics do not have good salaries, investment in other sectors will not be effective. The projected budget of the two ministries of education [and training] and [culture and] higher education is not at all harmonious with the shortcomings and projected goals. I ask the Majles to give this matter more attention than it has.

The Hashtrud deputy also considered the agricultural sector as a fundamental sector in the country and said: Saving in the budget for the elimination of poverty without preventing the accumulation of huge national investments in the provincial centers will not solve any problem and will cause uncontrolled migration. The direction of huge investments must be towards the oppressed areas of the country.

In continuation, he thanked the leader and the speaker of the Majles for admitting the families of the martyrs of Hashtrud and in conclusion requested that the honorable head of the judicial branch issue effective and constructive orders to free the oppressed farmers of Hashtrud from the injustice of landowners and to decide their fate.

Ahmad Zarringol, Sanandaj Deputy

The Sanandaj deputy emphasized the use of indigenous manpower as much as possible in Khuzestan Province.

The last pre-agenda speaker was Ahmad Zarringol, the deputy from Sanandaj, who first thanked the minister of industries for agreeing to build a rubber factory and said: This is perhaps the first time during the history of Kurdistan that an agreement has been made to build such a factory. The brave Muslim people of Kurdistan have always been the victims of injustice for standing up against the cruel rulers. For this reason, no attention has been paid to Kurdistan. Since the magnificent Islamic revolution, all the sworn enemies of the revolution have rushed to this oppressed region and, unfortunately, the government has been unable, as it should, to implement its projects and programs as in other areas of Iran. As the grand leader said in his blessed visit to Kurdistan, "In the choices, they should not follow a particular line."

He then said: Unfortunately, from the perspective of some individuals who thought they had come to Kurdistan to improve conditions, being a Kurd was considered a crime, and without regard for the problems and calamities of Kurdistan they engaged in purges and eliminating the employees, particularly the hard-working teachers. They even almost closed the doors of the universities to the young people of Kurdistan. And at times, when they did not like someone's face, they immediately purged that person as a counterrevolutionary. Although compassionate individuals were able through hard work to return some of these people to work, unfortunately, there are still large numbers of them who have set their hopes on the Islamic Republic. Although, unfortunately, the problem of selection in Kurdistan has not been solved yet, we hope the great leader of the revolution will issue instructions to compassionate and competent individuals to investigate the problems of selection and to use fewer non-native people, because we have a large number of young, unemployed Muslim people. We request of the president to instruct the Cabinet to make use of sincere Kurdish Muslim forces in the administration, given that there are very caring and specialized people in Kurdistan who are even stronger than the present ministers of the government. Not making use of native forces has even spread to the Council of Guardians. Unfortunately, only one of the inspectors of the Council of Guardians for the fourth Majles elections was a native. Can you not find five Muslims throughout Kurdistan that you have to make use of non-natives? The honorable hajj pilgrimage agency too last year alone sent one group from the cities of Bijar and Qarveh to Mecca. And then the director and the assistant director of the group were from Kashan. Can you not find two Muslim administrators in these two cities, that you must bring in the head of the group from another city?

Zarringol continued: I remind Dr. Jasebi to send a delegation to investigate the issues and problems of the Open Islamic University of Kurdistan, which has been put into operation mostly with the resources of the people, and to make use of forces that have no problems in the administration, rather than people in other ministries. The tuition that is received from the students should be used to raise the educational and scientific level of the students, rather than, God forbid, being distributed among the officials or spent on other things. We in the administrative council of Kurdistan asked Mr. Zanjani, the head of the Plan and Budget Organization, to take the problems of every province into consideration in distributing the budget. Unfortunately, once again this year's budget for Kurdistan, as in the past years, has not changed significantly. In terms of illiteracy, we rank second in Iran, but in terms of education budget distribution, no attention has been paid to this problem. The budget allocated does not respond to the needs of this province. The people of Kurdistan realize the problems of the government, but the issue of inattention and discrimination is hard for us to swallow. Even in the Voice and Vision of the Islamic Republic, there are double standards. The officials of this agency say they have been ordered from Mehr 1370 [23 September-22 October 1991] not to even utter the word representative at the Voice and Vision.

We request of the honorable president that now that there is a competent, compassionate, and experienced person at the head of the athletic agency, at least the same budget be allocated to athletics as is allocated for the rehabilitation of young addicts and ways to prevent smugglers. We request of the honorable minister of interior to fulfill the promise given to us by the officials of this ministry two years ago concerning the conversion

of Divandareh of Kamyaran into a city. And we request that the honorable minister of petroleum place on his agenda the issue of natural gas outreach to Kamyaran.

Agenda

The only item on the agenda of the open session of the Majles yesterday was the continuation of the examination of the "bill amending the direct tax laws," some of the articles of which were ratified.

Based on one of the ratified articles of this bill, the lands that are used for cultural, educational, and health and treatment activities, caring for the infirm, hotels, motels, guest houses, cinemas, theaters, and dubbing institutes will not be subject to taxation while in operation.

On the Margins of the Majles

In yesterday's session, a group of Majles representatives made a reminder to the ministers of interior and Islamic culture and guidance about "preventing the political and propaganda activities of groups that have not obtained the necessary permits and who have engaged in publishing bulletins and in vast propaganda in the mosques."

The 1371 national budget bill is ready for discussion in the open session of the Majles. The decision has been made that from tomorrow, after the examination of the bill amending the direct tax law is concluded, an examination of the budget will begin in the morning and afternoon sessions. The final deadline for the ratification of the budget will be 12 Bahman [1 February].

Based on another article of this bill, the inheritance tax rate in proportion to the inheritance share will be as follows:

	First-Class Heirs	Second-Class Heirs	Third-Class Heirs
Up to 8,000,000 rials	9%	18%	30%
Up to 20,000,000 rials, for amounts in excess of 8,000,000 rials	20%	30%	40%
Up to 40,000,000 rials, for amounts in excess of 20,000,000 rials	30%	40%	50%
Up to 80,000,000 rials, for amounts in excess of 40,000,000 rials	40%	50%	60%
For amounts in excess of 80,000,000 rials	50%	60%	70%

From the inheritance share of each first-class heir, the amount of 2 million rials will be exempted, and the remaining amount will be subject to taxation at the above rates.

Also, if a second-class heir is under 20 years of age or is mentally or physically disabled or is a student under 25 years of age, the inheritance share of up to 1.5 million rials will be exempt from taxation, and the remainder will be taxed at the above rates.

Article Seven, which was ratified, also specifies that 100 percent of the deceased person's savings in the national banks and their branches abroad, as well as 50 percent of the value of the deceased person's stocks in companies whose shares are accepted in accordance with the applicable laws by the admittance committee for transaction as valuable papers, and 40 percent of the value of the deceased person's shares in the general production, industrial and mineral production, and production, industrial, and mineral cooperatives will not be subject to taxation.

According to RESALAT's parliamentary correspondent, the continuation of the examination of the "bill amending the direct tax laws" was postponed to the next session.

The next open session of the Majles will be held tomorrow morning.

*** 14 Jan**

92AS0520A Tehran RESALAT in Persian
15 Jan 92 pp 5, 6

[Unattributed report: "Report on Yesterday's Open Session of the Majles"]

[Text] Legislative and Parliamentary Affairs Division—The Majles held an open session yesterday morning and afternoon.

In this meeting, after amending the bill on establishing the agency for collection and sale of confiscated property, which had been returned from the Council of Guardians to the Majles, the examination of the general points of the 1371 [21 March 1992-20 March 1993] national budget bill began.

It should be noted that the statements of 'Ali 'Abadol'alizadeh, the plan and budget committee spokesman, were published in yesterday's issue. Below you will read the speeches of the supporters and opponents of the 1371 budget in yesterday's session of the Majles.

Qasem Me'mari, Ahar Deputy (Opponent)

Qasem Me'mari, the Ahar deputy, as the first opponent, referred to the report of the spokesman of the plan and budget committee and said: This report was not a response to a nation that during 13 years has displayed so much self-sacrifice. On the one hand, in order to implement a harmonious system of salary payment and to respond to the need to help the employees, the amount of 850 billion rials stated in the proposed government bill increased to 1,000 billion rials, and the committee has tried to prevent the increase from taking place through raising the prices of goods or increasing the budget deficit. On the other hand, based on some notes, such as Note Eight, the Ministry of Education is permitted to procure 10 percent of the educational expenditures in 1371-72 [21 March 1992-20 March 1994] with the help of the people.

He emphasized: In the government of the prophets, the burden was lifted from the shoulders of the oppressed; it did not add to the burden of the oppressed. But in 1371, the burden has been placed on the shoulders of the unfortunate consumer. Is education not free according to the Constitution? What is it that you start something you can't finish? The situation with regard to health and treatment is also clear. If the people have no money to deposit beforehand and bring the receipt to the hospital, they cannot have their patient hospitalized.

Referring to the Paragraphs of Note 38, he pointed out: Based on this note, the Ministry of Guidance can receive large amounts from the consumer. With this note, the price of printing, which is used to fill the free hours of the youth, has increased several times over. This increase is placed on the backs of the consumer.

In regard to decreasing expenditures, he said: Thank God, the Majles has arrived at the idea, "If there is no income, slow down expenditures." By combining the Guard Corps, the army, the police, and the komitehs, and recently with the plan to combine the three industry and mines ministries into one, steps have been taken in this regard. Considering that we are Shiites and Shiism has not been dependent on the government for propaganda for 1,400 years and the people have taken part in this matter on their own, I propose that the Islamic propaganda agency and the office of Islamic propaganda in Qom be combined and propaganda be reverted to the theological center, which is made up of the essence of the people. The Ministries of Islamic Guidance, Education, and Higher Education should be combined into one ministry called the Ministry of Culture in order to reduce expenditures.

Hedayatollah Aqa'i, Fasa Deputy (Supporting)

In examining the budget, rational standards, not ideals, must be taken into consideration.

Hedayatollah Aqa'i, the Fasa deputy, was the first supporter of the 1371 budget. He first stated that the budget issues must be evaluated on the basis of rational standards, and said: My support for this budget does not mean that it is better than that of the previous years, or even last year. It is not absolutely good or ideal. We have a long way to go to reach the ideal point.

He then referred to the problem of economic dependence on oil and said: About 80 percent of the oil flows like blood through the economic veins of the country. This dependence has caused severe fluctuations in the country and has eliminated the possibility for organized and unified planning in the country. A general estimate is that we have had $300 billion in revenues since the victory of the Islamic revolution, until 1370 [21 March 1991-20 March 1992]. Less than $50 billion of this amount has been spent directly or indirectly on investments. For a country whose only source of revenue is oil, this ration is very low and this plan is one of the serious problems of our economy.

Hedayatollah Aqa'i considered the second problem in the national economy due to the foreign currency rate to be unrealistic and said: We were not able to adjust the foreign currency to its actual rate. This problem exists in our economy and has, firstly, dealt a blow to our domestic production. For example, we are giving domestic producers competitive and floating foreign currency while the government organizations are using the low foreign currency of 70 rials. This means that none of the domestic producers will be able to compete with government organizations. Secondly, there is the appearance of financial corruption. Certainly, purchasing with low-rate dollars is very attractive and can be a source of corruption. Unfortunately, in the past, we have witnessed the appearance of such sources of corruption in the organizations as we have now. The problems that will be discovered in the future will indicate it. Thirdly, there is the waste of the financial resources of the country. Fourthly, there is the inability to prioritize the expenditures.

Continuing his speech, the Fasa deputy criticized the lack of control of companies, banks, and government for-profit organizations, other non-government, non-profit organizations, and the private sector and said: The budget of the non-profit government organizations is about 18,000 billion rials, over which we, unfortunately, have no control, and the policies that are made there are almost separate from the policies made by the Majles and the government. The budget of the institutions, foundations, and public non-governmental establishments, such as the Foundation for the Oppressed and the Fifteen Khordad Foundation, amounts to something like 6,000 billion rials, concerning which not the slightest policy stems from the government and the Majles, and if there is, it is very minor. They follow their own actions, and this is the result of lack of coordination. Hence, the cash flow in the private sector is about 2,400 billion tomans, which is also dependent on its own special rules. Hence, the government directs an insignificant part of the national economy.

He considered the positive aspects of making the revenues realistic in the budget bill and then said: In the budget that the government has given us, there was little realism. However, it can be viewed as more realistic than those of previous years. But in the plan and budget committee, these figures became more realistic. One of them is the foreign currency revenues, which the government had stated at $22.5 billion in cash and $900 million in commitments. The total was reduced to $19.4 billion in the committee, and the commitment part of it was omitted. Of course, this figure is separate from the $2 billion which exists in Note 29 of the bill. The oil export figure was $21,348,000,000, which was reduced to $18.3 billion in the committee. In the rial section as well, realism has come into play. Taxes on salaries have been reduced by 4 billion rials, but taxes on businesses increased by 40 billion rials. The provisions for ordering goods have reduced by $59 billion rials and instead taxes on salaried non-government individuals increased by about 100 billion rials.

Among other position points of the budget bill, he considered the modification of the foreign currency rate and added: In the budget bill, what the government did was to include the rial revenues gained from the sale of foreign currency in the rial oil revenues, which is very good. Revenues of more than 3,500 billion rials from the sale of foreign currency have been projected for 1371, which is appropriate compared to 1370, which was 2,370 billion rials.

Elyas Hazrati, Rasht Deputy (Opposing)

Considering the declining trend of the price of oil and the efforts of Iraq and Kuwait to enter the market, the most important part of the foreign currency revenues of the country next year will not materialize.

Elyas Hazrati, the Rasht deputy, referred to the success of the Ministry of Economic Affairs and Finance in achieving the tax figures in the five-year plan and said: The sudden increase in this line is impractical for the following reasons.

First, the necessary resources for designing and creating a tax system have not so far been placed at the disposal of the Ministry of Economic Affairs and Finance and the lack of resources, including skilled manpower, machinery, and computers, for achieving a proper tax system will certainly cause tax pressure on the limited resources and consequently be followed by unfair taxation, discontent of taxpayers, and tax evasion. Hence, this year for the first time the Ministry of Economic Affairs and Finance has also announced that it is unable to reach the figure ratified by the committee.

Furthermore, we now have the bill to amend the direct tax laws on the agenda of the Majles. In this amendment, at least two cash sources for taxes, that is, taxes on companies and production centers and taxes on salaries, have severely declined while the rate of other cases have not increased and tax discounts have increased as well. Hence, it seems that the figure of 3,537.7 billion rials is too high, and the minimum proposal is to keep the same figure in the program.

The same is true with regard to the oil and natural gas revenues.

Considering the declining trend in the price of oil and the efforts of Iraq and Kuwait to enter the oil market, which will be followed by the severe decline in the price of oil, it seems that the most important part of this sector, which is the sale of oil, will not materialize. Naturally, if the same amount of revenues in this part is not achieved and the government does not succeed in procuring and selling the needed foreign currency, then the positive movement of decreasing borrowing might not continue.

He added: In devising the budget, all the revenues and expenditures must be taken into consideration. Unfortunately, during all the years that budgets have been written in Iran, the necessary attention has not been paid to the operation of the budget of the government companies, whereas these companies play a significant role in the national economy so that this year the general government budget is 11,368.9 [billion rials] and the budget of the companies, banks and establishments affiliated with the government, 18,096 billion rials. In other words, the budget of the companies is more than 1.5 times the general budget of the government. Disregarding this large figure in fact neutralizes all the efforts of the dear friends who argue day and night about raising or lowering it by one rial. Naturally, the least result of disregarding the for-profit companies and establishments affiliated with the government is that while we have a budget shortage for student dormitories, schools for children, hospitals, and harnessing water, some establishment or company imports a Mercedes Benz factory.

Emphasizing the principle of "unity" in writing the budget, Hazrati said: Do the various financial policies follow the same course in order to be effective? Various policies have mostly neutralized each other.

Here, I must point out one of the most important goals of the program and the efforts of the government, which is at the root of many of the calamities, and that involves the increase in cash flow.

The trend of the increase in cash flow during the war and in the years following the war has continued, so that in 1368 [21 March 1989-20 March 1990] and 1369 [21 March 1990-20 March 1991], while production had a growth of 3.6 and 10.5 percent, respectively, cash flow had a much higher increase of 19.5 and 22.5 percent, respectively.

In short, during 1368, 1369, and 1370, even though the trend of declining domestic gross national product stopped, the rapid increase in cash flow significantly reduced the positive effects of production. Should this trend continue, serious problems can result. In the eight

months of this year, the retail index has grown by 17.8 percent. More clearly, this year the rate of inflation announced by the Central Bank, not including the housing sector, is over 17 percent. Naturally, if the trend of injecting money into the society through the banking system and the public sector continues, the picture that we will face in the future will certainly be much more worrisome. In 1368, 1369, and 1370, with the efforts of the government, the amount of reliance of the general government budget on the banking system decreased, such that the net amount of increase in the debt to the banking system declined from 2,068.5 billion rials in 1367 [21 March 1988-20 March 1989] to 1,033 billion rials in 1368, and to 52,514 billion rials [as published] in 1369. On the other hand, the for-profit companies and establishments affiliated with the government, which in the Five-Year Plan have been emphasized to improve the existing structure and encourage self-sufficiency, have in practice become more reliant on the banking system, such that the level of increase in the remainder of the debt of these companies increased from 128.3 billion rials in 1368 to 887.3 billion rials in 1369. In other words, a major part of the decrease in the reliance of the general budget on the banking system has been made up for by increased reliance of government companies on this system. On the one hand, efforts are made for government-affiliated companies and establishments to be transferred to the non-government sector, and on the other, we are witnessing an increase in the necessary funds to modify the current expenditures to help cover the losses of government-affiliated, for-profit companies and establishments. Naturally, this mounting assistance will result in decreased motivation to transfer to the private sector.

Hazrati pointed to the increased expenditures outside the general accounting by the organizations, and in this connection referred to the expenditures to purchase a number of sheep at 10 million rials, 2 million rials to repair the car of one of the ministers, the cost of accidents, payment for participating in meetings, and the renting of such items as airplanes by several ministries, and added: Then in connection with the earthquake budget, unforeseen events, student dormitories and treatment, we are faced with problems.

He added: Various economic problems have caused us to be impotent today with regard to procuring agricultural machinery. In fact, the foreign currency sent to the industries which belongs indirectly to agriculture has not helped agriculture. The law guaranteeing the purchase of essential goods to support agricultural production and create a balance in the production system and prevent waste and the losses of the farmers has not been properly implemented.

In another part of his speech, he said: Attention is paid to unimportant projects and not to essential and fundamental projects, and a limited amount of national revenues, both rial and foreign currency, is distributed and disappears among the thousands of projects, and often these plans and projects remain incomplete and are abandoned.

In conclusion, referring to the earthquake last year in the Provinces of Gilan and Zanjan, Elyas Hazrati said: Unfortunately, there is a tendency in our country in the first days of an accident for everyone to be compassionate, to commiserate and to try to help, but after a while all quiets down.

In conclusion, he asked that in the 1371 budget, 9 billion rials be allocated to the reconstruction of the earthquake-stricken areas.

Mostafa Mo'azzenzadeh, [Kerman Deputy] (Supporting)

What comes to the society in the form of products and has an anti-inflationary effect are industrial and agricultural products.

Mostafa Mo'azzenzadeh, the Kerman deputy, was the second supporter of the 1371 budget bill. He examined the issue of industry in the budget and said: Our first argument is, where in terms of world industry are we? Do we have an industry or not? If we measure the share of industry in the gross national product, we arrive at the figure 10.4. This figure in more underdeveloped countries than ours is higher in regard to the share of industry. (The share of industry in the gross national product in India is 19.4 percent; in Kenya, an underdeveloped African country, it is 12.7 percent; in Pakistan, 15.7 percent; and in Turkey, 27.1 percent.)

We are a country that, if you look at the budget, despite the size of the revenues, spends all on imports, because we have no production.

He added: We have about $18 billion per year in foreign currency revenues from oil resources, and we have at least $7 billion in domestic fuel consumption at world prices. In total, our oil revenues are $25 billion. If we had exports, we would gain this windfall profit. We should have at least $250 billion in exports in order for the country to have $25 billion in foreign currency cash revenues. Now, why is it that we have $25 billion in cash foreign currency revenues but are not included among the developed countries and the countries that have something serious to say economically? The reason is that these revenues are obtained from our underground resources. There is no money circulation and no business circulation. There is no production. If we were to gain this $25 billion profit from industries, it would mean that the country would be producing at least about $500-600 billion in order to be able to export $250 billion and make a profit of $25 billion. Therefore, because this profit is windfall, we cannot make good use of it and spend it on our current expenditures.

He continued: What comes to the society in the form of products and has an anti-inflationary effect are industrial and agricultural products. Only these two final products produce anti-inflationary effects in the society.

The next argument is that industry creates added domestic value. We really have needs in the country that are inevitable, and we must address them. You cannot fail to give the society detergent. You cannot fail to provide soap. You cannot fail to produce electrical switches and sockets and give them to the people, because your other sectors will stop. Industry, instead of importing these goods, produces them domestically and offers them to the consumers. In 1369, it was calculated that the $1.6 billion given to industry was turned into $3.6 billion at world prices. In other words, it had more than tripled. It is true that in some sectors, we do not have added value because of the high dependence on foreign currency and because of technological problems. But in many of our industries, high added value prevents imports. We should not pay a lot in foreign currency. When our factories begin operations, our workers make a living, our economic system begins to turn, and in this way, we can produce foreign currency and get goods which require foreign currency mostly for the raw materials used in them. He added: As far as it concerns the people, foreign currency has been at 60-toman and 140-toman rates. But other projects are calculated at seven-toman foreign currency rates. He emphasized: The main solution to the problem is for the government not to use the seven-toman foreign currency. The government must resolve this problem. Unfortunately, it must be stated that the ministers who use it do not agree to it and admit this loss for the country, while as far as it relates to the people, they make decisions easily and transfer foreign currency to the people at 60-toman and 140-toman rates, thereby causing inflation for the people. But when it is their own turn, unfortunately, they do not agree to it.

Mo'azzenzadeh added: Unfortunately, most of our ministers look at issues subjectively. Our ministers do not look at the whole country. It must be confessed that any minister wants his own problems to be solved quickly. We do not say, manufacture everything domestically. We say, do this on the basis of a rational and proper strategy. Now, the Arak and the Bandar 'Abbas refineries are under construction. If you go there, you will see that Iranian companies are the contractors for foreigners and are working for them. What is the reason for us not to sign contracts with them so that later the Iranian contractors and companies have to go and beg to get the contracts from foreigners at a lower price?

Mohammad Reza Behzadian, Qa'enat Deputy (Opposing)

Mohammad Reza Behzadian, the Qa'enat deputy, was the third opposing speaker. He said initially: In the revenues section, the government-proposed figure has an increase of 162 percent, and the figure ratified by the plan and budget committee is 173 percent, compared to the plan. These figures are unrealistic. These figures indicate the bitter and painful fact of the unsuccessful two-and-a-half-year economic operation of the government that is contrary to the plan. While in accordance with the Five-Year Plan, the oil and natural gas revenues must only comprise 21 percent of the national revenues, we witness that according to the bill, they comprise 49 percent and, according to the ratification of the committee, 46 percent of it. This means that we sell the oil to the world and then sell the foreign currency from it to the people at the rates of 600-1,400 rials and never think twice about it. It also means that the declining trend of the present economy will continue for another 8-10 years, and when there is no longer any oil left in the wells, an Iran with a population of 85 million people will be one of the poorest countries in the world.

Continuing, he said: It would have been nice for the president in his speech when the budget bill was presented, rather than comparing the figures in the budget with those of the decade of the 1350s [1970s], to have compared them with those of the Five-Year Plan, which is the law and the agenda of the government, or have allowed the publication of the two-and-a-half-year report of the Five-Year Plan which was prepared by the Plan and Budget Organization in accordance with the Five-Year Plan Law, so as to clarify the government's lack of success in practice and its failure to achieve its minimum objectives on the basis of the plan. One becomes more despairing when one realizes that we have spent 70 percent of the national budget, 50 percent of which is provided from oil resources, on the daily expenditures of the country, without any lasting effect at the end of the year.

In connection with tax revenues, he pointed out: The operation of the Ministry of Economic Affairs and Finance in collecting taxes in recent years has been close to what the Majles ratified. In other words, in 1369, it was about 98 percent, and in 1370 (9 months), 110 percent of the ratification. This is worthy of praise. But it is necessary to keep in mind that in writing a good budget, tax revenues should comprise 75 percent of the budget, and in the program this figure must be 40 percent. But in the government bill, it is 34 percent, which has been reduced to 32 percent in the ratification of the committee. Unfortunately, it is far removed from the Five-Year Plan, which is the legal duty of the government to implement, not to mention having a proper budget writer.

Continuing, he pointed out: Considering the sale of foreign currency at the 600-rial competitive and 1,400-rial floating rates, which has contributed to the rapid circulation of cash and inflation, naturally the figure for tax collection must also be increased. And if we calculate at the fixed prices, the amount of taxes collected in 1370 is not much different from that of the previous year.

The Qa'enat deputy mentioned the figure for the sale of foreign currency (projected by the plan and budget committee) next year as $4.3 billion and said in this connection: In the nine months of 1370, so far no more than $2.9 billion has been sold at the competitive rate, despite all the efforts. Then, it is said that next year the same amount should be sold at the competitive rate in addition to $2 billion worth at the floating rate, which

seems unlikely and will result in borrowing from the banking system. The two-year policy of harnessing the cash flow in the country through the sale of foreign currency at a higher rate has only resulted in delaying the increase in the cash flow of the country, which in any case will occur. And with its increasing velocity, growth, and circulation, and considering the close relationship between the cash flow and inflation, with the increased inflation which will also result rapidly and certainly next year, we shall have an inflation rate of more than the 11.4 percent which is projected in the plan.

He then referred to the high inflation rate in the country and said: Despite last year's slogans of the government officials concerning a single-digit inflation increase, in 1369 and the first six months of 1370, we have been witnessing an inflation increase of 13.6 percent, which indicates an annual growth of 26 percent. In the meantime, we are witnessing the annihilation of the poor and oppressed classes in the society, about whom, that is, the oppressed classes, the economic planners of the regime have, unfortunately, failed to make any decision, and to whom they have failed to pay subsidies, at least to prevent them from being harmed. On the other hand, we are witnessing the unyielding resistance of the government with regard to the Majles ratification of the bill on a coordinating system of payment [uniform payments system] and other laws to compensate for the pressure on employees to some extent.

Moreover, in the policy of harnessing the cash flow and selling foreign currency, which will reduce the present foreign currency resources of the country and the future foreign currency revenues, unfortunately, the foreign currency that is sold is mostly used in the consumer sector for ready goods. When the country decides to sell about $5 billion of the national foreign currency, that is, more than 25 percent of the projected revenues, at a rate higher than the official rate, that is, the competitive and floating rate, this means that the value of the rial has changed. Why are no decisions made about it by the concerned authorities, and why is this action taking place in such a creeping fashion? The question is, Will 80 percent of the people have the purchasing power to consume the produced goods at the floating foreign currency rate? If not, in order to make a living, to marry, to find housing and the necessities, what has been projected in the budget?

Also, in connection with oil revenues, he said: In my opinion, the figure mentioned in the bill in terms of the price of one barrel of oil and the production ability—in the total of which 40 percent is optimistic, and the budget committee, at 30 percent, has also looked at it unrealistically—will not be achieved. Considering the spending of these projected revenue figures, at the end of the year, we shall face more foreign borrowing along with a decrease in foreign currency resources in the country, since in the course of half of the term of the Five-Year Plan, we have spent 140 percent of the foreign currency revenues and still do not realize what we are doing, what has happened, and what will happen.

Continuing his speech, concerning the preselling of oil by the government, the Qa'enat deputy said: In the Five-Year Plan, we allowed at the end of the plan (1372 [21 March 1993-20 March 1994]), for the equivalent of $2 billion of the revenues in the second plan to be presold. But the government made a unilateral decision to generalize this and began preselling the oil from the next year's allocation, starting in 1369. At the present time, $500 million of the 1371 allotment has been presold. Moreover, now the government is thinking about making this violation official, and in order to depiete the well of its foreign currency expenditures, has put the figure of $1,882 million in the bill, not to mention that it is customarily calculated from the export year (that is, 1372).

Continuing his speech, Mohammad Reza Bahzadian said: According to the 1367 ratification, the war support headquarters was assigned to collect $10,000 from any Iranian eligible for military service who resides abroad and intends to return to Iran and grant him a three-year exemption. So far, 40 billion rials have been added to the treasury from this source. Recently, in accordance with a ratification, the joint forces command headquarters has been assigned to collect another $8,600 from the applicants abroad and grant them a permanent exemption. Then, the brothers in the budget committee, relying on the reasoning of the Ministry of Foreign Affairs alone, have reduced the $10,000 for three years to $1,000 annually and have generously given a part of it to the Ministry of Foreign Affairs, which must be omitted in order to preserve the revenues.

In conclusion, stating that of the projected foreign currency revenues in the committee ($19.4 billion), $6 billion will not materialize, he added: In the beginning of next year, prior to other commitments, we must pay the debts created in the current years which are due in 1371 without any questions. This is a total of $6.9 billion, including collected commitments, usance (borrowed purchases), and financing (projects financed through foreign facilities).

Majid Ansari, Zarand Deputy (Supporting)

The essential trend of the executive affairs of the country has been towards the implementation of the Five-Year Plan, and we have been successful in the agricultural areas, growth of parent industries, increase in domestic production, population control, educational goals, and other fundamental areas of the Five-Year Plan.

In the open session of the Majles yesterday afternoon, Majid Ansari spoke as the third supporter of the bill and said: My agreement with the national budget bill does not mean that I defend all parts of it. There may be problems in some of the notes and lines. But as far as the bill works toward achieving the goals of the Five-Year Plan, I support it.

In response to the opponents, he said: One of the opponents opposed collecting money from those eligible for military service who live abroad, whereas this is one

of the positive points of the bill. About 200,000 Iranians eligible for military service live abroad for various reasons. Either their families reside abroad or the children do for educational or other reasons and at the present time are unable to serve or have problems returning to the country for a brief period of time. For these individuals, it was decided that a one-year exemption card could be issued in lieu of the payment of $1,000. Mr. Ansari rejected the statement that the figures referred to in the 1371 budget bill show lack of government success in implementing the Five-Year Plan and said: It is true that some of the projected revenues in the Five-Year Plan (especially the oil revenues) did not materialize and we faced problems in practice. But with the decrease in revenues, the expenditures also were reduced. Nevertheless, the fundamental trend of the executive affairs of the country is toward implementing the Five-Year Plan.

He said: According to a report by the Plan and Budget Organization, we have been successful in the areas of agriculture, investment, the growth of parent industries, increased domestic production, population control, educational goals, and other fundamental areas of the Five-Year Plan. While the major savings has been done in the area of current expenditures, we have had significant growth in developmental expenditures.

He mentioned the increase in the direct tax share compared to indirect taxes in the 1371 budget as among the positive points of this bill.

The Zarand deputy, referring to the failure to project the decrease in the price of oil in the 1371 budget, said: We do not agree with the decrease in the price of oil. We oppose any country that at the start of the U.S presidential elections, in order to serve Bush, speaks of reducing the price of oil. For this reason, we believe that projecting a decrease in the price of oil in the national budget means accepting the oppressive U.S. policy.

He added: If the price of oil decreases as a result of the conspiracies, the Central Bank has been made responsible to control it on a monthly or quarterly basis and regulate the foreign currency expenditures in the amount that the budget has not materialized in order to adjust the expenditures to the revenues.

Referring to the changes that were made in the 1371 proposed government budget bill, Ansari said: One of these changes involves control in Note 15. Considering that the Majles deputies have always complained about love of luxury and examining expenditures, the studies that were made revealed that the roots of many of these problems extend from Note 15, specifically the uncontrolled exemptions given to the organizations in Paragraphs A and B of Note 15, such that they are able to spend outside the general accounting law, and unfortunately every year new organizations are added to Note 15.

Also referring to amending Note 29 in the budget bill, he said: I criticize the Central Bank of the Islamic Republic for some violations and also praise it for the strong control it has had in 1370 over foreign currency expenditures.

Unfortunately, in 1369, some of the commitments and foreign currency expenditures exceeded the ceiling ratified in the law. If this trend had continued, we would have reached a dangerous point. But we completed Note 29 this year so as to block the way to violations and expenditures above the ceiling of the law for administrators.

He mentioned the omission of the ceiling for the funds for the cultural sector, including the Ministries of Culture and Higher Education, Education, and Culture and Islamic Guidance, and the mass media as a kind of reform of the foreign expenditures structure.

He mentioned the amendment of Note Two and the control over obtaining loans by government companies from the banking system in order to reduce the volume of cash flow in the society as another positive point in this bill and said: Another reform that was made in Note Two is to prevent the establishment of unnecessary offices of government companies in foreign countries, and the unnecessary offices that have been established so far will be closed down.

He said: Our government companies engaged in establishing offices in foreign countries to purchase goods. Last year in Germany alone, 100 of our government companies had created offices. This is while foreign companies establish offices in our country to sell their goods.

The Zarand deputy called the increase in the oil revenues from the sale of foreign currency another positive point in the 1371 budget bill and said: In the budget bill, attention has been paid to higher education and education in general, and the fund for unexpected incidents has increased from 90 billion rials to 130 billion rials, which will expedite the reconstruction of the earthquake-stricken and flood-stricken regions. Also, special attention has been paid to the reconstruction of the war-stricken regions.

Mohammad Hoseyn Jahangiri, Qasr-e Shirin Deputy (Opposing)

Lack of sufficient attention to the elimination of unemployment is one of the main problems of the budget.

Mohammad Hoseyn Jahangiri, the Qasr-e Shirin deputy, was the fourth opponent. Initially, as his first criticism of the 1371 budget bill, he referred to its being a single-product budget and said: We are moving in the direction of not wanting to have oil as a general strategy in our programs, but toward other sources and revitalizing them.

Lack of use of potential resources in the country was another reason for his opposition to the bill. He said: Now we have much potential in the country that has not been identified yet. It is not true that only a few

provinces have resources. That is a weakness from which we are suffering and which must be corrected. We must take the whole country into consideration.

Another criticism he made of the 1371 budget was that the vital place of agriculture in the country is not specified. Referring to the statements of the Imam regarding the necessity to pay more attention to agriculture, he said: These issues are the main ones for us, and certainly the place of agriculture in the country must be clarified. In the budget, the essential and main role has certainly not been given to agriculture.

He considered the little attention paid to the needs of the oppressed and the poor areas as one of the problems of the budget and added: The people of these regions have the intellectual and physical abilities, but because they lack the financial resources, they cannot present themselves and be useful in constructive economic actions.

Jahangiri pointed out the necessity of investigating the unemployment problems in the society and, announcing that based on statistics, at the present time there are 2.6 million unemployed people in the country, said: If we do not concern ourselves with eliminating unemployment, unemployment will have precisely the same danger for us that cash flow does. All attention now is concentrated on the increase in cash flow. But parallel to harnessing the cash flow, we must also create jobs. One of our main criticisms of next year's budget is that it has not paid sufficient attention to eliminating the problem of unemployment.

The lack of coordination and harmony between various parts of the budget are found in terms of both implementation and in planning.

He said: When you read Notes One to 54 of the budget and the defense provided by the honorable ministers in regard to their own areas, certainly the goal is segmental, and one cannot see a unity and a plan that brings them all to an ultimate goal in the budget.

Continuing his speech, the Qasr-e Shirin deputy referred to Notes 3-7 and several other notes and said: The issues that are stated in these notes do not have in sight a general goal but are scattered efforts in which each organization is trying to allocate funds for its own section.

Another problem that creates danger is local or regional points of view which are imposed in planning and writing the budget.

He said: No change in the economic structure that is intended by the Majles is revealed in the budget. For example, he said: Some brothers, acting on behalf of a particular region, have presented projects and plans in the form of programs and then have had them ratified by the Majles.

The potential must be put to better use with attention to the programs that are intended.

He added: The Five-Year Plan as well as the budget bill are good. But we must see whether in practice the administration throughout the country can follow this law in harmony with the goals of the legislature.

We must move in a direction that will lesson the problems and vulnerability of the society. Hence, we must see a sort of balance in the programs and planning among the provinces of the country.

Movahhedi-Savoji, Saveh Deputy (Supporting)

'Ali Movahhedi-Savoji was the fourth supporter of the 1371 budget. He said: After the revolution and since the establishment of the Majles, efforts have been made to gear the budget policies always toward the development of the country, the elimination of poverty, and attending to the forgotten districts and villages. If you go to any district or village, you can see the effects of the work done since the revolution, even though given the size of the problems these steps have not been sufficient.

He continued: Since the time of the ratification of the Islamic Republic regime's Five-Year Plan, we have witnessed that the annual budget is prepared and ratified to adhere to the legislative program of the Islamic Republic regime. We have seen the policies, the general goals, the revenues, the expenditures, and even the size of the foreign currency revenues. Three years of this Five-Year Plan have passed. The year 1371 is in fact the fourth year of the plan.

Among the characteristics and good points of the budget in these few years and also in 1371 is that actions fall within the framework of the plan. The opposing brother who preceded me, instead of speaking about the value and importance of the Five-Year Plan, put the whole Five-Year Plan into question. I think what the honorable opponent means is not that the plan is not legal. It is also clear that we ratify a program that will eliminate all the problems and needs of the country in five years. Certainly the programs that are seen in this plan are not all the projects in the country. This is not a fault or a problem of the plan, because the Five-Year Plan has a ceiling. The revenues are not the ultimate that will enable us to do everything.

He added: Although our country is rich in terms of agricultural and industrial products, unfortunately, more than 90 percent of the "foreign currency revenues" have been from oil exports. The government of the Islamic Republic has now moved in the direction of the plan, toward non-oil exports and foreign currency revenues.

In another part of his speech, Movahhedi-Savoji pointed to the lack of control over funds outside the general accounting law in the 1371 budget bill: At first, we did not have funds outside the general accounting law. The amount was low. The same small amount was the foundation, which was raised higher every year until it exceeded 50 percent of the total national budget, including developmental and current.

Look at the reports of the accounting office in connection with the organizations that had and spent funds outside the developmental accounting law and you will see what they did in the past with these funds outside the accounting and other laws and regulations.

For example, he referred to the funds for research by the governmental organizations and said: In the note to the 1370 budget, all governmental companies and ministries which have research sectors were obliged to give a percentage of their research funds to the universities, where it is used more than theoretically. But they said that the organizations did not do so. We inquired, and it became clear that the budget for research was outside the accounting and other laws and regulations. The officials of the organizations said they were not obliged to do so. In any case, the funds outside the accounting law in the 1371 budget bill are among its positive points.

In regard to the foreign currency revenues and Note 29, he said: In this case, where the honorable committee reduced the foreign currency revenue budget and decreased the ceiling of the 1371 foreign currency funds from 23 billion to 20 billion, there is room for discussion.

Concerning "usance" and the prohibitions against it in the commitments of the government organizations in this year's budget bill, he said: I have never agreed to the usance commitments being implemented. In may opinion, all commitments carried out through usance must be avoided. But I ask the budget committee and other deputies: If the companies, ministries, and organizations, have signed a contract on the basis of the budget and plan of the past years which are incomplete and the company on the other side of the transaction is foreign, what will happen? You say that a company does not have the right to practice usance. Who will pay for the damages? We believe we should allow usance to ensure that the incomplete projects are completed, and from this date on we should not allow it, because usance in the long term is not in the interests of the Islamic Republic in terms of interest and other problems.

He emphasized the ways of commitments and methods of agreements, such as financing, buy-backs, and partnerships, in the budget bill and added: But the government must follow its own interests. We are not skeptical about the government of the Islamic Republic. We have confidence in it. It is not made up of individuals who, God forbid, want to harm the government in the interests of the foreign side.

Movahhedi-Savoji then mentioned the following solutions for fighting inflation:

1. The government must impose serious supervision and control over prices.

2. An end should be put to the multiple-rate policy regarding foreign currency, especially with respect to non-coupon items, and determine a single rate for foreign currency, because firstly it will allow better supervision by the government over the price of goods and also will put an end to instability and hesitation in the industries sector.

3. Ministries, organizations, government and non-government companies, and city halls should not increase the price of goods and services which would not be in keeping with the government policies and through improper decisions harm the national economic system and cause high prices. For example, a city hall increases taxes by 20-30 times the price of building and land increases, and the price of other items also increase. Or the Ministry of Housing sells land on which it has done no improvements, such as the desert-like Hashtgerd, at 2,000 tomans per square meter to the cooperatives. This is not right. The government must supervise the pricing.

4. Reform of the administrative system.

5. Reform and stabilization of managements.

6. Combining parallel and redundant organizations.

In conclusion, he said: Since the revolution, we have mostly dealt with "quantities." We have started many projects and plans without considering whether or not we can complete them on schedule. This problem is primarily one of the government organizations and then the plan and budget committee.

On the Margins of the Majles

Yesterday, it was observed that Mr. Rahmani-Khalili, the former parliamentary deputy of the Ministry of Islamic Guidance, was present in the Majles when it went into session, which is contrary to Article 178 of the internal bylaws of the Majles.

It is interesting that until a few days ago, the above-mentioned was the parliamentary deputy of the Ministry of Guidance. He has resigned in order to apply for candidacy to the Majles prior to 21/10 [11 January]. According to the internal bylaws, he must not be present in the Majles.

* 15 Jan

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[Unattributed Report: "Report on Yesterday's Open Session of the Majles"]

[Text] Legislative and Parliamentary Affairs Division—The Majles met in open session yesterday morning and afternoon.

At this session, consideration continued on the general form of the Budget Bill for 1371 [21 March 1992-20 March 1993]

'Abdollah Nowruzi, Molayer Deputy (Opposing)

The average cost of the executive tasks listed each year from 1360 [21 March 1981-20 March 1982] to 1370 [21 March 1991-20 March 1992] increased about 350 percent, yet the growth rate of credits was much lower.

The fifth speaker in opposition to the 1371 Budget Bill was 'Abdollah Nowruzi, Molayer deputy.

He said: Under the Five-Year Plan our revenues were to advance and grow, and at the end of the plan we were to have a suitable growth rate of about 25.1 percent, and we were to organize our payments based on these revenues. We were to have a nine percent annual growth in expenses. This has not happened. We had revenues, and these figures were more than 25.1 percent, but we had more expenses, and these are problems caused by not acting within the framework of the Five-Year Plan.

He said: In any case, the 2,500 existing government companies ought to contribute to the government's treasury from somewhere, which they have not done. Of these companies, only about 500 companies have respectable numbers and figures that can be effective in the government's public budget. Of these, 55 percent have shown their financial balance sheets to the government and the Majles.

Both the respected government and the Majles, with exacting care, especially with regard to the government companies, must exercise more careful supervision. The revenues some of these companies have had, which should be deposited into the government treasury in accordance with the law, have been given to their ministries as capital, and their ministries are doing business with it.

This is a serious issue. If we gather these figures, most of them are definitely from loans we have taken from the nation's banking system, and if we could have collected them all together—and I mean we should have done this—the nation's problems could easily have been solved to a great extent. With respect to quality, there have been no changes, new views, or innovations concerning the Five-Year Plan and previous years. Every year we have a series of notes, for no new directions or changes have emerged in our annual budget, especially since the Five-Year Plan, to enable us to make the budget dynamic and truly to increase its effectiveness.

Elsewhere in his talk, Noruzi said: Our current expense percentage should show a growth rate of about 6.6 percent, and development credits should also grow 17.3 percent. We have made legal requirements for current expenses and adjusting personnel, so that in any case we will reduce the nation's heavy administrative body.

However, we see the current expenses have reached 38 percent and 24 percent, which are not at all comparable to the figures in the Five-Year Plan's table, even though against that development costs have also grown.

Continuing, he added: Development cases consist structurally of four essential elements, which are manpower, credit, materials, and machinery. If we treat these four elements at the same time, we will be able to do the nation's development tasks in a specific period of time, without prolonging them.

Because of the lack of equilibrium between the private and the public sectors and the revenues in the private sector which are easily given to specialist forces, the private sector recruits the specialists and the government is left without high-quality personnel who can supervise the executive system and the nation's projects. The numbers and figures are spent, but in the end the problem is not solved for the country.

If we look at the average cost of the executive tasks listed each year from 1360 to 1370 [21 March 1981-20 March 1992], they have increased by an average of about 350 percent, yet the growth rate of development credits was much lower. This very year the Central Bank announced that as of the middle of 1370 [23 September] the adjusted price of the list of goods grew 25 percent, and by the end of the year we will have growth of about 40 percent. If we had 40 percent growth and our prices also increased 40 percent, then by the year 1369 [21 March 1990-20 March 1991] we would have been at the same level, and we would not have been able to do anything new, yet the executive indicators sometimes grew up to 200 percent, and the contractors are also complaining. In the year 1371 the growth rate in development activities in the roads and transportation sector was 19 percent over the previous year, and if we take out the reconstruction coefficients, it is 12.5 percent, yet we should have a 40 percent official adjustment in costs, and it is clear that we will have negative growth.

Our basic problems include shortages of construction materials such as iron components, cement, and other things. Ultimately we can produce 15 million tons of cement in the country, yet our minimum consumption is 20 million tons per year. When market supply and demand are not equal, even if we pay subsidies and think the rate will be the same, the rate will not be the same, because there is a serious difference between market supply and demand.

The same applies to machinery. The Economic Council thought that by removing transportation tariffs it would create an incentive for truckers to haul more from import sources and production centers, but the effects were quite negative.

For us to build a small project in the country such as a dam, a road, a railroad, a water transport canal, or similar things, we have to pay seven to eight times the rates shown in the list of prices to move a cubic meter of soil. Naturally, if we were planning to build a kilometer of road with five million tomans, now we can only build 200 meters of it for five million tomans. For the future this worry exists for all development projects, and for

that reason public shipping rates and the prices of road building equipment and machinery must be controlled to reduce the problem.

In conclusion, he said: We must ensure that we do not lose existing capital. We make a series of investments and do some building, but if we don't think about taking care of them, this existing capital will be destroyed and disappear.

Mohammad Baqer Nobakht, Rasht Deputy (Supporting)

Considering that it is necessary to follow the goals, the policies, and the procedures set forth in the plan, on which the entire budget is based, are the opponents opposing a plan they themselves approved?

The fifth speaker in support of the Budget Bill was Mohammad Baqer Nobakht, Rasht deputy.

He noted that there are three indicators for studying the budget: (1) revenues (2) costs (3) the budget deficit. Concerning these three, on 11/11/1368 [31 January 1989], in approving the Five-Year Plan, the Majles set out its responsibilities, and therefore there is nothing new for the opponents to oppose.

He added: Based on the Five-Year Plan, revenues are expected to be 5,599 billion rials and expenses are to be 6,336 billion rials, and on this basis expenses are 741 billion rials more than revenues, and this figure is the budget deficit. Two sources are given in the plan for making up the budget defict (1) 118 billion rials in returns from accounts of previous years (2) the government is authorized to borrow up to 633 billion rials from domestic banks. Therefore, what are the opponents opposing? Are they opposing the Five-Year Plan that they themselves previously approved?

He discussed reducing taxes for low-income people and wage-earners. He said: In the government's bill taxes on wages are 204 billion rials, and in the Majles Plan and Budget Commission's bill they are 200 billion rials. Thus the Majles Plan and Budget Commission reduced taxes on wages by four billion rials, which benefits the wage-earning classes.

He discussed the share of tax revenues in the gross domestic product. He said: In the year 1367 [21 March 1988-20 March 1989] this figure was 4.2 percent, and based on the plan it was to increase to 8.4 percent in 1372 [21 March 1993-20 March 1994]. The government's proposed Budget Bill conforms exactly to this goal in the plan.

Nobakht discussed oil revenues. He said: Based on the Five-Year Plan, revenues from oil and oil by-products were expected to be 1,345 billion rials, yet in the government's bill they have reached 5,042 billion rials and in the Majles Plan and Budget Commission's bill they have reached 5,124 billion rials. The difference consists of money derived from the sale of foreign exchange, which appears in a different part of the budget every year.

He cited the increase in development costs compared to current expenses as one of the prominent features of the 1371 Budget Bill, and he noted: The government bill provides 10,283 billion rials for expenses, of which 6,987 billion rials is current expenses and 3,295 billion rials is the share of development costs. Both in the government's proposal and in the Majles Plan and Budget Commission's proposal the share and proportion of development costs has increased and current expenses have come down. The interesting point is that 850 billion rials have been provided to implement the Uniform Payments System Law, which has been increased to 1,000 billion rials with the commission's approval to make it possible to implement this law, which wage-earners are anticipating hopefully.

Continuing his talk, he emphasized: Considering that it is necessary to follow the goals, the policies, and the procedures set out in the Five-Year Plan, on which the entire budget for 1371 is based, individual and regional opposition are inappropriate, because the general will of the Majles is reflected in the Five-Year Plan. Either those who are opposed to the Five-Year Plan must adhere to it until 1372, or all the deputies must amend the plan.

Qorban'ali Salehabadi, Mashhad Deputy (Opposing)

One of the problems with the budget is dependence on oil and revenues from the sale of competitive foreign exchange and spending them on current expenses.

Qorban'ali Salehabadi, Mashhad deputy, was the sixth to speak in opposition to the general form of the Budget Bill. He said: Every economic policy is designed and implemented to reach specific goals. Economic equilibrium and zero inflation will be achieved when supply and demand are equal.

Another item is balancing the revenues and payments scale, and the principle is reducing the payments side to balance against the revenue side. The suitable budget is the one that balances revenues against expenses. In the same regard, reduced unemployment and inflation are characteristics of a good economy.

Continuing, he discussed the nation's revenue sources from the sale of oil and gas, taxes, revenues from the sale of foreign exchange, and other revenues. He said: One of the most basic problems with the government's budget is this budget's dependence on oil and meeting expenses through the sale of oil and its dollars with the competitive foreign exchange that is given to the factories, and spending the revenues from this foreign exchange on current expenses. This process cannot remain stable because of the possibility of reduced oil production, reduced oil prices, and in some cases a drop in the value of the dollar or other foreign exchange used in oil transactions. Consequently, the budget has problems.

Continuing, the speaker discussed foreign exchange revenues for the years 1368 [21 March 1989-20 March 1990], 1369, and 1370. He said: For 1371 the government expects $24 billion in foreign exchange revenues, but the Majles Plan and Budget Commission reduced that figure to $19.4 billion, and this figure will not be reached because of the fluctuations in oil prices and the reentry of Kuwait and Iraq into the oil market.

He added: Since the beginning, competitive foreign exchange has totaled $6.5 billion, and because of incorrect calculations by the Central Bank and the Ministry of Economic Affairs and Finance, this foreign exchange was sold first at 100 rials, then 975, then 800 and finally 600 rials, and the injection of competitive foreign exchange at these prices into the market disrupted the nation's economy.

In the short run, it is possible that the policy of selling foreign exchange might have some calming effect and that it might be effective in gathering currency in circulation and preventing stagnation and chaos, but in the long run, because of fluctuating oil prices, the drop in the value of the dollar and the lack of sufficient guarantees that it will continue, it cannot be stable.

In the long run, the policy of competitive foreign exchange will bring the nation's industries up against stagnation and bankruptcy. For example, when a truck is produced with competitive foreign exchange for 80 million rials, if the buyer uses bank facilities, the price will go up to 110 million rials.

Concerning foreign purchases, he said: The Ministry of Defense buys a huge quantity of boots, which are also produced domestically, from abroad, and the Ministry of Education and Training buys inferior erasers from outside the country.

He added: There are now about 5,000 new projects being implemented in the country. Unfortunately, in the 1371 Budget Bill the government has allocated 230 billion rials for new projects. These projects, because they have been prolonged, are not economical. The number of projects must be decreased to make the implementation of projects economical.

For the year 1371, the Ministry of Mines and Metals proposed four billion in buy-backs, and the government also proposed two billion for new commitments.

He added: The pull of demand and the pressure of expenses, or in other words, the increase in expenses, is caused by inflation. The reasons for inflation are the following:

1. The inflation caused by the currency in circulation in society.

2. Structural inflation pertaining to the organizational and administrative structures and their lack of efficiency such as the lack of specialist manpower, the lack of advanced technology, and other things.

3. Import inflation arising from the increased price of import goods and the intensity or weakness of this type of inflation depends on the amount of imports in society.

4. Psychological inflation: This kind of inflation depends on society's fear and worry about current conditions and the state of society, which causes price increases and consequently creates inflation.

In an economy beset by inflation, there may be three types of inflation:

1. Creeping inflation, which involves gradual and slow price increases.

2. Moderate inflation, where price increases are faster than those in creeping inflation.

3. Four-seasonal or unbridled inflation, where price increases are severe and rapid.

The most common reason for inflation is the daily-increasing pressure of demand on fixed supply, or sluggish production of goods and services.

Continuing, Salehabadi said: In developing nations such as Iran, investment in development and production projects creates demand in society up until the projects go into operation, and consequently they are inflationary. Therefore, the duration of projects must be shortened as much as possible.

He emphasized that wage increases cause price increases, and he encouraged the government to eliminate unemployment and inflation through financial policies and government investments.

He also said: The problem of foreign exchange and its fluctuations and finding the real price of foreign exchange in our country has caused the emergence of a complex and distorted system in the nation's economy, and a proper and practical decision in this regard must be made as soon as possible.

One way to help restore the economy and increase the value of the nation's money is to reduce the pull of rising foreign exchange prices.

Belief in a system of free foreign exchange and applying the foreign exchange needs of the nation's economy to it befits countries with a long industrial background which are connected to industry. The entry of developing nations into this valley is like a battle between giants and a youth, who will be crushed beneath the feet of the giants.

Mohammad Majdara, Babolsar Deputy (Supporting)

Fifty percent of next year's tax revenues will be secured from employment [income] tax. Despite a 1000 billion rial cost to carry out the Uniform Payments System law, taxes on wages [income tax] will decrease five percent compared to the current year.

The sixth person speaking in support was Mohammad Majdara, Babolsar deputy. He began his talk by saying: The 1371 Budget Bill is the third budget to be presented to the Majles based on the Five-Year Plan, and in the periods 1368, 1369, and 1370, the last three years, a study of the government's general accomplishments in these years in the area of revenues and expenses shows desirable change.

In 1369, the government's total revenues were 16 percent of the total gross domestic product, which is about 2.3 percent more than the same figure as given in the Five-Year Plan.

In view of what has happened this year, this percentage is expected to be 16.9 percent, representing 2.9 percent growth over the Five-Year Plan.

He then added: In the First Five-Year Plan, the government's total revenues were expected to remain stable at 19 percent of the total gross domestic product, and the record shows that as of the end of this year [20 March 1992] this figure has been realized.

He discussed the increased expenses and the budget deficit. He said: According to indicators given in the First Five-Year Plan, in 1367 the budget defict was to be 9.5 percent of the gross domestic product, and was to reach 4.1 percent of the gross domestic product in 1370. In view of what has actually happened with the Central Bank, the economy, and the Ministry of Economic Affairs and Finance, this figure has been held to 2.9 percent. That is, if we look at the budget deficit comparatively, revenues have increased, expenses have increased, but the percentages have been retained, and the deficit has even decreased overall. Continuing his talk, Mohammad Majdara discussed the increased development costs in the 1371 Budget Bill, and he said that the budget's most important characteristic is its coordination with the goals and policies given in the First Five-Year Plan. He said:

In the revenues sector, the major emphasis is on tax revenues, so that estimated tax revenues in the Budget Bill compared to the expected amount in the year 1370 grew about 30.4 percent. Thus tax revenues reached 7.5 percent of the gross domestic product in the year 1371, while in the Five-Year Plan plan this percentage is 7.3 percent.

One of the dear opponents here asked why we collect taxes from the deprived and the oppressed, and told us to go and collect them from the wealthy. I say to the brothers that the tax amount we are depending on now—and we are happy that it conforms better to the Five-Year Plan and that the government has been successful in this regard—consists of 50 percent employment taxes, which is considered the major increase in tax revenues in the 1371 Budget Bill. About 6.6 percent of it is import taxes and 34.3 percent is taxes on companies, and thus most of the tax pressure is on the wealthy classes.

The Babolsar deputy, who is a member of the Majles Plan and Budget Commission, discussed the budget for government companies. He said: You brothers take a negative view of the government companies, which take up 52 percent of the government's total budget, but there are two important factors in these companies that you ought to look at: (1) development investment in these companies is done within the framework of the Five-Year Plan (2) these companies pay taxes and profits on shares to the government. If you turn through the budget eight years ago, most of the government companies lost money. To keep them on their feet a budget was approved in this very Majles saying they had to be helped and that they had to be brought out of their deficit state. I say to you now that most of these companies which were losing money are turning around and most of them are paying taxes and profits on shares to the government, meaning they are helping the government's general budget. The banks are paying around 90 billion rials taxes, the insurance companies are paying about 13.7 billion rials, the National Steel Company of Iran Group (which was losing money not so long ago and is now paying taxes, and this is a positive view of the situation) paid 23.4 billion rials, the Iran Khodrow Corportation (in previous years we injected budget money into this company to keep it on its feet) paid 47.3 billion rials, and the Esfahan Iran Foundry paid 13.4 billion rials taxes (this company also previously received aid from the government and is now one of those helping the government).

He also added: Not only have taxes on wages not increased in the proposed budget, they are five percent less than they are in the current year. You should keep two levers in mind, the 100 billion tomans we are injecting for the Uniform Payments System for government employees, which is also right. Likewise, we have also deducted five percent from the total taxes. This is an answer to that brother who, perhaps due to lack of awareness or not having looked carefully at the figures, said that taxes are taken from vulnerable and oppressed classes, and it is not this way.

Mohammad Majdara discussed revenues from oil exports. He noted:

If we want to conclude this budget optimistically and have it be based on the figures in the Five-Year Plan, the plan puts the price of every barrel of oil at $19.20, but now, if we want to take a realisic view in light of the international market and other indications, the Majles Financial Affairs Commission has set $15.50 as the price of a barrel of oil, while the Majles Plan and Budget Commission set the price at $16.

The Babolsar deputy noted that we set the expenses of an organization contingent upon revenues. He said: The

brothers are asking why we have raised expenses. I will give you two expense figures. As you know, in 1371 we added 100 billion tomans to the Uniform Payments System over the figures for last year and the previous year, while the allocation commissions argue that we should add another 15 billion tomans. The most important thing here is that we have not taken every source of revenue and said we will only pay expenses out of that, we have made some expenses contingent on revenues, and we have made 1,047 billion rials of the expenses, or 9.5 percent, contingent on getting the revenue.

He then discussed priorities in the development programs. He noted: In the area of expenses, development expenses have been basically affected by carefully observing the priorities set in the First Five-Year Plan and continuing the direction set in previous years, so that the share of these costs in the total government budget for 1371 will reach about 33.3 percent, and in 1371 development costs will increase from 45.6 percent over the expected total for the current year.

Continuing his talk, the member of the Majles Plan and Budget Commission discussed other positive points in the Budget Bill in view of the deprived areas. He said: In addition to the development credits allocated to the deprived areas in the framework of province and national budgets, in Note 295 a billion rials has been provided, which is a 20 percent increase over the same figure for the current year.

Hasan Mokhtari, Najafabad Deputy (Opposing)

If expenses are to truly come down, one must recognize the steps the government has taken to make structural changes to bring down costs.

Hasan Mokhtari, Najafabad deputy, was the seventh to speak in opposition to the general form of the Budget Bill for 1371. He said: If unbridled price increases will also let the nation's industries increase the prices of the products they produce, in view of the fact that most of the financial burden for doing this will be on the shoulders of the people, these units not only will not suffer, their profitability will also increase and ultimately they will be able to pay billions of tomans in aid to the government.

He emphasized: Since the iron foundry is already selling iron at 400 rials per kilogram or more, it can already make a big profit, but this is no reason for us to settle for that and say the factories are profitable. Really, if expenses are supposed to come down, we must look at what steps the government has taken in the budget to make structural changes for administrative hours and to bring down costs.

The Najafabad deputy discussed the country's 5,000 exisiting industrial projects. He noted: In view of the high costs and existing inflation, one cannot imagine that the 48 new projects to be implemented as provided by the commissions in the current year's budget would ever be profitable. Therefore, to expedite the goals set out in the Five-Year Plan, some of these projects should be cancelled. It is also sometimes seen that instead of limiting the number of projects, their numbers are even increased by changing various titles.

He noted: Nothing will be solved by collecting ten percent tuition from students and it will not improve conditions in education and training. In my view some school costs could be transferred to the wealthy classes of society in some parts of Tehran and the provinces, so that they can bear the costs as some of the non-profit schools do.

The Esfahan [as published] deputy said: For example the current budget needs $257 million in foreign exchange for next year's food production, $216 million to produce medicine and medical supplies, $201 million for the transportation budget, $173 million for communications, $207 million for agricultural and animal husbandry consumer industries, $250 million for health care and treatment materials, $527 million for construction materials, about $108 million in foreign exchange for products needed for education and training such as paper, cardboard, ball point pens and other implements, about $668 million for clothing, synthetic textiles, and similar materials, and $487 million for household consumer goods. Therefore, not including the foreign exchange for producing cement, the total is estimated at about $4 billion. Then we have to tell the industries to get their foreign exchange from the free market. Our request is, to keep the factories from closing next year more attention should be given to the above issues, and in this regard one could stop implementation of projects that have not yet begun.

Hoseyn Harati, Sabzavar Deputy (Supporting)

Increasing the revenues, increasing the share of development in the total expense budget, increasing educational credit, relative improvement of the financial condition of government companies, and reduction of borrowing are among the budget's strong points.

The seventh speaker in support of the Budget Bill was Hoseyn Harati, Sabzavar deputy.

He said: In the budget presented for next year, there are five points indicating value and efficiency.

1. Increasing tax revenues.

2. Increasing the share of development in the total expense budget.

3. Special attention to the matter of education and increasing its share of the domestic gross national product.

4. Relative improvement of the financial condition of government companies.

5. Reduction of borrowing.

Concerning the reduction of subsidies, he said: When you are selling wheat that costs 210 rials per kilogram to other individuals for 12 rials, and when at least 1.2 billion rials are paid on wheat subsidies alone, where are the reductions in subsidies?

The figure on government oil sales has been obtained based on a policy and thinking that have logical dimensions. The government says when I have set a certain amount as a limit on my share in the budget, this gives me a strong and powerful position so I can defend this ceiling at OPEC meetings, but if you lower this ceiling for me, therefore, in view of what they know about the limit on my share, I will not be without problems there, and in view of the fact that our economy is still a one-product economy, world imperialism and its agents in the area will work hard to obstruct conditions for the sale of our oil, which is the fulcrum of our economic development. Why should we follow that policy, and make things easy for them? Why should we be the bulldozer for their thoughts and ideas? The government has therefore set this ceiling based on these two thoughts and ideas.

The increase in current expenses has been protested, and with regard to these current expenses they have said that they exceed the level set in the Five-Year Plan. What do you consider to be the nation's current expenses? Do you regard as current expenses the Ministry of Culture and Higher Education, the Ministry of Education and Training, and other organizations that teach and train manpower?

He added: Currently about 35 percent of the nation's budget is spent on education and training expenses. Are education and training expenses really current expenses? Do they go up into the air in smoke? Do they have no positive effects? More than five percent of our current expenses pertain to the Ministry of Culture and Higher Education. Is the Ministry of Culture and Higher Education, which trains manpower in every specialist and advanced specialist area, really a current expense organization, whose budget should be considered a current expenses budget? You say that the ideal budget proportion in advanced countries is 70 percent development and 30 percent current expenses. I also agree, but what economic system, and what advanced country in the world got to that point at the beginning of the third year of its first Five-Year Plan? The brothers are protesting that the current expense budget has increased 33.3 percent. Add another 30 percent, meaning the 25 percent for the Ministry of Education and Training and five percent for the Ministry of Culture and Higher Education and the Ministry of Health and Treatment, meaning you add this 30 percent to the 33.3 percent for development expenses, and you see that 63.3 percent of the budget presented is for development and the rest is current expenses. Thus we see that we have come close to the limits in that ideal budget you mentioned.

Harati answered the problems raised with regard to the government companies. He said: Based on Note 32 of the Five-Year Plan Law, two movements have begun in the country. The first is that we are trying to turn these companies over to the people and in the first phase to the workers and employees employed at the very production unit, and in this regard 300 companies have been designated for gradual transfer to the public, and 33 percent of all the shares in government companies are in these 300 companies, and we are required to be sure that these companies are profitable.

The second point was that based on the Constitution it was not possible for us to transfer some companies, and we were required to have those reform management. In this regard, we tried not to accept those that were losing money unless they come and make an agreement with the Plan and Budget Organization, with a reasonable and logical justification, then a reasonable period of time would be given to them to solve this problem. With regard to these companies, the tax profits and share profits we put in the budget increased 30.4 percent and 12 percent, respectively.

There are two reasons for increasing the budget for companies up to a limit of 64 percent. First, if a company does not want to lose money it must invest and increase its production so it will be able to be a non-deficit, profitable company, and the people, in view of the rate of adjustment and the rate of competitive foreign exchange (we are giving competitive foreign exchange to almost all of these companies), will see their investments increase one way or the other.

Continuing, he said that implementing a policy of economic stabilization in wartime was necessary and required. He said: After the war, however, to rebuild the nation's economy we had to implement a policy of economic adjustment. If we had wanted to continue the same policy as before and increase subsidies, there were two possible paths before us. The first path was to increase regularly the amount of money borrowed from the domestic banking system, so that these subsidies could be given, and then suddenly it would reach the point that money in sociey would have no value at all, and this loan would strangle the nation's economy. Another condition would be to borrow from foreign banks, import goods into society and keep prices stable. Neither of these was possible for us. You have not authorized borrowing from foreign banks at all except in a small number of cases such as dam building and sugar cane, which total less than $5 billion. Concerning domestic borrowing, you agreed and said that during the Five-Year Plan borrowing would have to be brought to zero. We are left here with the question of how the nation's economy should be managed. Thus came the policy of economic adjustment. Our most important and critical problem was the matter of production, meaning that to fight high prices, inflation, and economic disruption, the one and only logical solution that the world accepts is production.

It is to be noted that in the year 1368 gross domestic production increased four percent for the first time, and in the year 1369 the increase went up to 10.5 percent. With regard to this, if it had not been for competitive foreign exchange we would have had three major problems, stagnation of production activities, blocked investment, the creation of import incentives and the elimination of incentives for exports.

He emphasized: In the two years of its implementation, the policy of economic adjustment has had very positive effects, including growth in production and a smaller budget deficit. In 1367 about 50 percent of our budget was obtained by borrowing from the Central Bank. In 1371, through the power and strength of God, we have brought this borrowing down to 5.6 percent, meaning we have cut it by about 90 percent.

All countries which have been able to reform their economic structure have used a policy of economic adjustment, and using the method of economic adjustment they have been able to give form to production, but this policy of economic adjustment has a father and a mother. Its father created a number of problems and constraints for the people in a short period of time (in the period of time it takes to implement one or two programs), and it has a mother which is patience, resistance and steadfastness. A child was born of the cooperation and assistance of this mother and father, called production, and the one and only salvation for any economy in the world is production.

He added: One of the brothers asked why we set the value of the floating dollar at 140 tomans, an even said that 40 percent of the budget is made up of floating foreign exchange. I feel that he said this due to a lack of information. We sold about $5 billion in foreign exchange, of which about $3.9 billion was competitive foreign exchange and $1.1 billion was floating foreign exchange. If you consider that our public budget is 1,200 billion tomans, about 150 billion tomans of that is obtained from floating foreign exchange, and this floating foreign exchange accounts for a maximum of 10 percent of the budget. This floating foreign exchange is efficient in two ways. First, it is a type of tax which we levy on the consumption of a series of goods inside the country. Second, if authorization were not given to use this loose money to import some goods into the country, certainly it would be hoarded and would be used as a new device for defeating the government's plan.

Gholamreza Feda'i, Arak Deputy (Opposing)

The government's current expenses should be met by reducing surplus personnel, which until now, no steps of any kind have been taken.

At the afternoon public session Gholamreza Feda'i, Arak deputy, spoke as the eighth speaker in opposition to the Budget Bill for 1371. He stressed the need to improve the tax-collecting system. He said: It appears that our tax-collecting system is out of date, and we have no specific procedure for collecting taxes. There is also no motivation among our people to pay taxes. What proposal have the government and the Ministry of Economic Affairs and Finance made to improve tax collecting methods?

He added: I believe that in order to establish a culture of tax paying in society, articles must be written in the newspapers, and this subject must be included in school and university textbooks. Feda'i stressed the decrease in the government's current expenses. He said: The government's current expenses should be met by reducing the government's financial burden, and no steps of any kind have been taken to reduce the government's financial burden or to reduce surplus personnel in the administrative offices.

He said: If the Uniform Payments System Law is made operational, not only will it not solve the government's problems, it will increase them.

He characterized as inadquate the steps taken by the Supreme Administrative Council to reform the administrative structure. He said: The administrative system in our country will not be put in order unless reform of viewpoints, reform of structures, reform of procedures, and reform of payments are made practical.

The Arak deputy noted: The revenues from the sale of foreign exchange in the 1371 Budget Bill are unrealistic, because the experiences of previous years show that revenues from the sale of foreign exchange are not collected, and moreover, what guarantees are there that these revenues will be used in the production and infrastructure sectors?

He also stressed controlling the budgets of government companies. He said: Due to the failure to control the budgets of government companies, instead of having profitable companies, we see their losses. Of course, selling factory shares is a positive step, which must be taken quickly. Based on the report from the Accounting Court, there are 2,500 government companies under the mantle of the foundations and government organizations. About 47 percent of these companies have not presented their budgets, and the Export Bank has not given any report on its activities.

Feda'i stressed the failure to utilize foreign resources. He said: We must try not to use foreign loans, and if we do intend to use them, the capacity to borrow from foreign sources and the ability to pay them back must be specified. Loans must be taken in cases where the profitability will be reached quickly, so we will be able to produce and have exports.

He said: We must never borrow for unspecified future programs.

Sa'id Raja'i-Khorasani, Tehran Deputy (Supporting)

To achieve independence and self-sufficiency, we must make most of our investments in academic study and research in the universities.

In a short talk, he said: In this year's budget the share of research and study tasks has not been observed sufficiently. To achieve independence and self-sufficiency, our country must make most of its investments in academic study and research in the universities. If we want to increase the nation's technological and technical capabilities, we must increase academic capability, and

raising the nation's academic capability requires heavy investments in the research sector and in various university sectors.

He added: This work must be done as a matter of government policy, and not for example as a form of support for one research sector in the universities. Therefore the government must rely on knowledge, and we must all realize that Almighty God did not create a world in which the ignorant will triumph over the learned. Therefore, to increase academic investments and to raise the nation's academic capability, we must increase the research budgets as much as we can.

He said: Of course, the above policy may be implemented in two ways. One way is for us to increase the Ministry of Culture and Higher Education's research budget, and another and more proper course is for the various ministries to allocate to the university research sector the parts of their budgets that are to be used to buy technology and do importing work, and to ask the universities to solve their scientific and technological problems, and this is something that is done all over the world.

Sa'id Raja'i-Khorasani added: This procedure will mean both that a proper, essential and native solution will be found for the nation's problems, and that the nation's academic and manpower training capabilities will be increased. Therefore the various ministries, especially the industrial, agricultural, and mines and metals sectors, should try to cooperate as much as possible with the universities. In the area of social sciences and humanities, many of the country's problems definitely ought to be solved through study and research in the universities. An answer to these problems cannot be given through scattered political and non-political speeches delivered from various places.

Continuing, he said: Another important point is that one or two years ago we saw various seminars being held in the various ministries, most of which had no scientific value. Most of them were places where the ministers and relevant officials could give talks, with a few foreign companies present to permit them to be called international seminars. There is absolutely no need for these seminars, and whoever really likes to hold international seminars should give the budget for it to the university sector, and for any kind of issues where they want to hold seminars, the best thing to do is to turn the matter over to the relevant university and try to advance the work academically.

Mohammad Reza Bahme'i, Ramhormoz Deputy (Opposing)

The government, with its unhealthy competition with the private sector, (due to the lack of debt repayment to the banks), makes the burden of high prices heavier everyday.

Mohammad Reza Bahme'i, Ramhormoz deputy, was the ninth speaker opposing the Budget Bill. At the beginning of his speech he said:

Unfortunately, perhaps what is wrong with what the Majles is doing is that it does not have precise information, and what it has been given as a Budget Bill by the government it approves in a restricted period of time without an independent technical group to study the figures and the economic report, with minor changes which naturally will not be without defects. It is true that the respected government makes experts available to the Majles, but these experts are not independent individuals. They may make mistakes in their viewpoints.

He then discussed floating foreign exchange. He said: The past record should serve as an experiment for us, because what was promised has not in practice produced a positive result. The best example is the promises that were made about floating foreign exchange and entering the free foreign exchange market. The plan was that 100-toman foreign exchange would drop to 80 tomans on the free market.

He also added: The 1371 budget has been put forward at a time when the Majles and the nation's officials are still discussing the most essential capabilities of the nation's economy. If we agree that coordinating government behavior with the directions taken by economic policies is one of the primary conditions for the budget's success in facilitating economic activities, then we have the right to question the budget for the year 1371. The bulk of its revenues are foreign exchange obtained from oil exports. Of the 10,230 billion rials revenue in the public budget, more than 50 percent of it is obtained directly through the sale of foreign exchange from the oil and gas sector, and 11.1 percent comes from import taxes, which is directly dependent on oil foreign exchange. Therefore, 61.1 percent of our revenues are very closely related to the foreign exchange rate. The gentlemen have written the budget based on presumed rates which will all be wrong if what is being said about the value of the nation's money comes to pass. The first thing I have to say is why, at a time when policies are questioning the value of this country's money, was the 1371 budget written? It is customary in the world for the budget to be treated as an official document, and if it deviated from its provisions the government would have to answer to the Majles. This custom has been voided in our Majles. However, today things have gotten to the point that on the one hand they send us a budget and on the other hand the same official makes a different program at the same time.

He declared that the budget deficit is 37.2 percent. He said: Even if no objection is raised about selling foreign exchange at high prices, the proposed budget deficit is still worrisome. I consider it necessary to give this answer to our brother Mr. Harati, who said that the budget deficit is 323 billion. This foreign exchange which is put on the market is itself the budget deficit, because this figure adds to the great volume of the nation's banks. In the 1371 budget the figure for loan repayment is zero, meaning the government has no intention of paying back any of its debts. This situation caused the government to use financial resources within the economy as a huge

consumer. The privileges enjoyed by this huge consumer of financial resources have severely restricted activities for the private sector. Today the government competes with the public and receives a huge portion of the financial resources so that many requests by the people for loans go unanswered. What is the result? The respected Central Bank foreign exchange officer and after him the respected first vice-president of the republic announce that the nation's industrial loans must be paid with expenses of 23 percent, because the banks have a lot of inexpensive payments. The respected deputies must realize that loans paid to the government are really those same inexpensive loans. Therefore procurement of financial resources for the government's non-productive consumption has meant that it costs a lot to procure financial resources for productive consumption. Thus the government, with its unhealthy competition with the private sector, is a factor in the emergence of inflation in the country, and the burden of high prices gets heavier every day.

He then emphasized: With the the government borrowing from the banking system again, in reality the government's budget is intensifying the pressure of inflation on the economy.

Elsewhere in his talk, the Ramhormoz deputy criticized the sale of oil on international markets. He said: My question is if revenues from crude oil exports had remained at $12 to $14 billion, then how could the gap of $7.2 to $5.4 billion be filled? In what parts of the economy would we make cuts?

He observed that the bill does not specify in the budget what the inflation rate will be. He said: The gentlemen constantly talk about supporting the low-income groups, but a budget is being approved that imposes high inflation on the people. This inflation means that by the end of the year the people will lose one-fifth of their purchasing power. Have you calculated what percentage of the people will be below the poverty line in that event?

He disagreed with the claim that every sector ought to spend the foreign exchange it receives within the sector. He added: Every sector must be able to use its foreign exchange resources by setting the priorities of its projects for the nation's economic development.

There is no program for foreign exchange resources from non-petroleum exports. Of course, there is a reason for this situation. The foreign exchange received from non-petroleum exports evades the nation's foreign exchange banking system and is deposited into contracts, most it only on paper. Perhaps it would not be a bad thing if I direct the attention of the gentlemen to the fact that in 1369 the government ruled that non-petroleum exports must reach $2.4 billion. At the end of the year Iran Customs announced that the nation's non-petroleum exports for 1369 were $1.4 billion. Just recently the Plan and Budget Organization reported that only $130 million of the nation's non-petroleum exports has been deposited into the banking system. Aren't these figures unsound? What guarantees are there that this scenario will not occur this year?

'Abbas'ali Zali, Karaj Deputy (Supporting)

Our problem is not rials and foreign exchange. Rather, we have not taken the path we should have taken. In our society, work must be valued.

The ninth speaker in support of the 1371 Budget Bill was 'Abbas'ali Zali, Karaj deputy. In his talk, he said: When we study the budget, along with it we must think of solutions for the problems remaining for the nation, the shortage of foreign exchange and rials, shortages in the executive sector's ability to expedite and develop tasks, and likewise the problems faced both by the government and our nation with regard to "revising views in systems", especially the matter of adjustment and reassessment of foreign exchange rate in rials, which of course brings many problems.

I say to the dear brothers opposing the budget bill that if there is any defect in the Five-Year Plan, that must be set apart from any defect in the budget. It may be observed here: that should be dealt with in another time and place.

Zali discussed some positive points. He said: The budget conforms to the Five-Year Plan, and it is necessary to act upon this very plan. It was in accordance with this same plan that the sectors were able to present their issues to some extent, and the government and the respected Majles were able to pursue and present tasks at the appropriate time.

As another positive point in the bill, Zali discussed the increase in infrastructure investments such as water, electricty, steel, roads, and railroads and increased investments in connection with water and soil in the agricultural sector and natural resources. Noting that these things would solve the problems in some tasks, he said: Another positive point is the concern for export affairs and the reduction in foreign trade problems, some of which is in Note 29, which has created room for the activities of exporters and import controls.

Zali added: Our current problem is not the problem of rials and foreign exchange, it is that we have not taken the path we should have taken. Work must be valued in our society. The creation of revenue through labor must be seen as a sacred value and the people must be guided in this direction. Order and regulation must prevail in society. We always talk about numbers and figures, and give little attention to quality. Emphasis must be given in society to avoiding the spirit of "seeking welfare". The officials and respected deputies especially must be a model and a pattern for the other classes of society, for we do not want a society that has fallen into consumption and is always looking to the sea ports. No matter how much foreign exchange and rials you inject into this society, it is a consumer society. When consumption grows faster than production, the country will certainly face problems.

Concerning education, he said: We are a country, 57 percent of whose population is made up of people younger than 19 years of age. The number of students in our country really is more than that in many other countries. In the current year, we will have more than 16 million students in the our country's various schools. This is a separate matter from the question of universities. To a certain extent attention has been given to that, but it is not enough. We are now faced with many problems in formal education in the primary, secondary, and rahnama'i [students decide which discipline they wish to study] schools, and perhaps this budget is not adequate for them. Popular assistance for good people in society must gain strength so we will be able to reduce some of these problems. Of course, the payments we must make to the noble and toiling class of teachers in our society are preserved in their place, and if we ignore that, clearly we will get no result from other tasks.

He discussed the literacy crusade, saying: In 1356 [21 March 1977-20 March 1978], we had only a 47.5 percent literacy rate. This figure reached 69 percent in 1365 [21 March 1986-20 March 1987], and in 1370, where we are even ahead of the Five-Year Plan, the figure is 74.4 percent, and for the first time we have been able to reduce the number of illiterate people from 14.3 million to 11.5 million.

Elsewhere in his talk he said: We had one million staff employees at the beginning of the Islamic revolution. Now there are more than two million of them. We had 19 ministries and now we have 25. Work must be done in this area. A reappraisal must be made of our administrative organizations. Our Administrative Employment Organization has taken no action. Mr. Razavi himself said: The number of staff employees should be one-third of what it is. How? What program? We have been saying this for several years, but nothing has been done. A reappraisal must be made of the number of ministries and the status of the administrative organizations.

Seyyed Hasan al-Hoseyni, Arak Deputy (Opposing)

If the budget for the companies affilitad with the government in the budget bill were considered, not only would the government not be faced with a budget deficit, it would have little need to sell foreign exchange to meet current expenses.

The tenth speaker in opposition to the budget bill was Seyyed Hasan al-Hoseyni, Arak deputy.

He discussed the existence of good and skilled manpower inside the country. He said: I say that the situation is not good in the area of executive management, and our people see nothing in the administrative offices other than negativity and ill humor. This, combined with the economic pressures on them, discourages them. There must be supervision and control in the government so the ministers will not think only in terms of sectors and abstractions, and so they will not spread this lack of coordination and poor supervision through the systems under their control.

Continuing, he stressed the need to implement the Five-Year Plan. He said: Experts predict that by the end of the Five-Year Plan, with the existing inflation and the extent of progress on tasks to be done, no more than 60 percent of the plan's goals will be achieved. Of course, on average, we are ahead of the plan in some cases, but we are also behind in many cases, and there must be some basic thinking in the budget in such cases.

Al-Hoseyni discussed revenues. He said: Although expenses have increased, and projects are costing an average of about 40 percent more, and accordingly work is getting done more slowly and later, to an extent the budget writers have finalized the general budget and the foreign exchange budget, therefore the revenue figures given are extremely artificial and unrealistic.

He discussed the fact that oil revenues follow two quantities, the price of oil and the amount of oil produced for export. He considered the figures projected in the budget bill for oil sales to be unrealistic, and added: Advanced oil sales, a kind of borrowing and creation of commitments in excess of the existing commitments of over $30 billion, will be done in various ways.

He added: In the bill, the government expects exported services to be $655 million, a figure reduced to $400 million by the commission. I support the figure proposed by the government, and if efforts are made to achieve a higher figure in exported services, it is appropriate provided that the exported services are not limited to issuing exemptions from compulsory military service for those living abroad in comfort, who have arranged and continue to arrange everything with money, and that it be a step to expand employment for the nation's unemployed, and that it employs our unemployed workers who have gone in total humiliation to countries needing manpower, without any support.

Continuing, he said: At the beginning of next year [21 March 1992], and at the head of all other commitments, we must pay back the debts incurred in recent years without any hesitation, including commitments taken on and usance-related obligations.

Continuing, he said: Forty-five percent of the companies covered by the law have not submitted their budgets for inclusion in the Budget Law.

If proper management were applied in such a way that the budget for the companies and institutions affiliated with the government were considered in the budget, not only would the government not be faced with a budget deficit, it would have little need to sell foreign exchange to meet current expenses, and in this way foreign exchange would increase, and these savings would produce more revenues for the next year.

He also added: The government's current expenses have been estimated at 6,483 billion rials, while current expenses are 4,483 billion rials. The difference is 2,499 billion rials, a deficit to be made up through oil sales, and this is dangerous.

Yet the government's fixed investments are not on a par with the amortization of investments. This has the effect of reducing the nation's production capacity and its resources for procuring the gross national product, which will result in as many imports as possible and deeper dependence.

* 16 Jan

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[Unattributed report: "Report on Yesterday's Open Session of the Majles"]

[Text] Legislative and Parliamentary Affairs Division—The Majles met in open session on Thursday.

At this session, Mr. Karrubi gave a talk commemorating the birth anniversary of Mas'ud Javad Lasemeh and Emam Mohammad Taqi (peace be upon him). He expressed the hope that the Islamic nation will be able to reach its sacred objectives in light of the life-giving teachings of Islam and the guidance of the chaste imams.

Continuing, he mentioned the triumph of the Islamic Salvation Front in the Algerian elections, despite the fact that the front's leaders were being detained, as well as the suspension of the results of these elections by this country's rulers and military. He said: It is surprising and sad, in a world that speaks of human rights and relies on democracy, that criminal America, which imposes on some revolutionary government or country every day using human rights as an excuse, would question such free elections. This would appear to be nothing but trampling on the demands of the people.

He also expressed the hope that Algerian officials will deal logically with the demands of the people, to prevent disastrous and harrowing events from taking place.

In conclusion, the Majles speaker offered congratulations on the occasion of 27 Dey [25 January], the martyrdom anniversary of Seyyed Mojtaba Navab-Safavi, leader of the Feda'iyan-e Eslam, and several of his companions, who were killed by agents of the oppressive monarchy, and he praised the struggles of that day.

Likewise, after talks by opponents and supporters of the National Budget Bill for 1371 [21 March 1992-20 March 1993] and by the head of the Plan and Budget Organization, the general form of this bill was approved by a strong majority.

Printed below are the remarks by the Majles deputies and the head of the Plan and Budget Organization.

Morteza Alviri, Tehran Deputy (Supporting)

If there is significant growth in production, the increase in worker wages will add to their problems.

The tenth supporter of the Budget Bill was Morteza Alviri, Tehran deputy.

At the beginning of his talk, he stressed: Support of the Budget Bill does not mean satisfaction with the existing economic situation or that the current economic situation is desirable, because only 22.5 percent of the gross domestic product is in the Budget Bill under consideration, and 87.5 percent of it works outside the government budget. I say clearly that the nation's economic indicators are not in a desirable state.

He emphasized the point that "agreement with the Budget Bill does not mean condemnation of former policies". He noted: Wartime conditions, export limitations, the bombing of oil fields, and the exclusion of seven provinces from economic activity caused the establishment of a controlled economy. With one or two war attacks costing about 300 billion rials, the Majles did not have the option to consider whether or not borrowing was in the nation's interest, because ahead of the nation's interest was the interest of the government and the management of the Islamic revolution.

He discussed revenues with reference to bearing the economic side effects of the imposed war. He said: Reestablishing a sound revenue mix in the budget is an important issue that has always been a part of budget discussions. Oil revenues must not be manipulated to excess, because it is not up to us to set the price of oil. The action in tax revenues has been striking and appropriate. In 1367 [21 March 1988-20 March 1989] taxes were 2.3 percent of the gross domestic product. In 1371, based on the budget, this figure will increase 7.3 percent, and according to the commission report it will increase 7.5 percent. Figures show that taxes are a significant portion of the gross domestic product, and they are precisely in accordance with the direction set by the Five-Year Plan. Likewise, taxes made up 29.2, 36.1, and 39.7 percent of current expenses respectively in the years 1367, 1368 [21 March 1989-20 March 1990], and 1369 [21 March 1990-20 March 1991], and in the first nine months of the current year [21 March-21 December 1991] they have increased to 29.2 percent, which shows that the budget is moving toward a sound condition.

He discussed the proportion of current expenses to gross domestic product in the years 1368, 1369, 1370 [20 March 1991-20 March 1992], and 1371, which was expected to be 13.4, 13.2, 12.9, and 12.6 percent respectively. In practice, this figure was actually 12.8 percent last year, and this year it was 14.7 percent of gross domestic product, and the figure approved in the Majles Plan and Budget Commission was 15.4 percent.

Concerning education, he said emphatically: The share of education costs will go up from 3.8 to five percent of the gross domestic product, which is higher than the level set in the Five-Year Plan and is a sound movement.

Concerning the 1,000 billion rials credit for implementing the Uniform Payments System Law, he said: The staff has a problem with this figure and higher figures. At one time, increases in wages and benefits were due to increased production, which is no problem, but if

production is growing at a set rate, any changes in wages will intensify the problems of staff. If you do not have a revenue base, you have to compensate for increased wages by increasing the budget deficit and printing new currency notes, which will itself cause inflation. It is not enough to raise the numbers, the purchasing power of the staff must go up. Increasing the 1,000 billion rials certainly will not increase the purchasing power of the staff, and it will even mean that goods costing 1,000 rials now will cost 2,000 rials next year.

Current expenses were to have been 12.6 percent of gross domestic product, but this did not occur in practice, and consequently it has increased the volume and size of the government. Therefore, any amount of rials we inject, because it will increase the amount of currency in circulation, will be inflationary and the way to solve this problem is to implement the Five-Year Plan.

The head of the Majles Plan and Budget Commission discussed reforming the administrative structure. He said with emphasis: Cutting back on the executive organizations to implement the Five-Year Plan is unavoidable. If this is not done, the aims of the Five-Year Plan will be lost. Everyone accepts this in theory, but there are problems in practice. Of course, this measure began with consolidation of the police forces, and it will be continued with the consolidation of the three industrial ministries. In the year 1360 [21 March 1981-20 March 1982] there was one industrial ministry (the Ministry of Mines and Metals), and its current budget was 850 million rials, yet now three industrial ministries have more than 11 billion rials in current budgets. While the current budget has multiplied 3.6 times, the budget for three ministries has multiplied 14 times. We must reassess the administrative organizations. Within the framework of the Constitution, we must turn the work over to the non-government sector or to other sectors that can do it better.

He discussed the budget. He said: In the year 1351 [21 March 1972-20 March 1973] the value of the dollar was set at 70 rials. That year, the amount of currency in circulation was one-twenty-third of what it is now. Despite the fact that the amount of currency in circulation has increased, the official foreign exchange rate has not changed. It is not logical for us to sell cheaply the foreign exchange we earn from oil sales, which belongs to future generations, thereby expanding the black market, brokerage, and middle men. As long as the foreign exchange rate is 70 rials, imports will be more economical than domestic products. The 70-rial foreign exchange rate caused one executive organization, whose name I will not mention, to import ladders from abroad! I asked a domestic company why it signed a contract with Japan. They said: "If the foreign exchange were 600 rials we would have signed a contract with Azar Ab." Nowhere in the world has a multi-tiered foreign exchange rate system lasted very long, and it is not in the nation's interest. The government must set a foreign exchange policy as quickly as possible and move toward a single specified rate. The government has done very good work in selling foreign exchange on a competitive basis, but we must determine an adjusted rate as soon as possible, in order thereby to eliminate middlemen and people earning their living from foreign exchange rates.

He discussed ways to control the government companies. He said: Three methods have been considered:

1. Controlling the spread of companies (preventing the creation of a company next to the current companies and consequently preventing the prolongation of government companies).

2. Controlling the creation of offices outside the country.

3. Controlling borrowing from the banking system, which is one of the causes of inflation and the rise in the amount of currency in circulation. Borrowing by government companies has been six percent higher than the level set in the Five-Year Plan.

He said that the Five-Year Plan's policies are in conflict with open-door policies, and emphasized: Production is unrestricted in the Five-Year Plan, but consumption and distribution are controlled and supervised.

In conclusion, Alviri recommended to the deputies of the Fourth Majles: The budget-setting system is in need of basic changes. Some development concepts have a current design, and some current concepts have a development design, and these concepts must be changed, right in the budget-setting system. An important point is also to implement the budget. A specific indicator must be set so that work can be delegated in proportion to the foreign exchange and rials that are given.

[Hoseyn] Hoseyni-Shahrudi, Shahrud Deputy (Opposing)

Currency in circulation will not solve the nation's development problem. Rather, the volume of production will have to be increased. But instead of production, the budget has increased currency in circulation.

Hoseyn Hoseyni-Shahrudi, Shahrud deputy, was the final speaker in opposition to the 1371 budget.

In this regard, he said: In last year's discussion on the problem of the nation's development it was said that money and currency in circulation would not solve the problem, and that the volume of production would have to be increased, but instead of production, the budget increased the volume of currency in circulation, and the fruits of that today are thousands of half-completed projects, some of which have absorbed several times the amounts of their original budgets and are still incomplete.

Continuing, he added: We think that currency in circulation will solve all economic problems, yet if currency in circulation could solve problems, today all our problems would be solved. Therefore the budget provided for the year 1370 is several times the size of the ones for the years 1366-1367 [21 March 1987-20 March 1989], yet

we see that not only has increasing the currency in circulation in the budget not solved any problems, but it has itself exacerbated other problems.

Continuing his remarks, Hoseyni-Shahrudi discussed another element of his opposition to the budget. He said: Another problem with this budget, the budgets of the past, and next year's budget is that expenses in this budget do not stand on revenues, they stand on capital, and one of the big mistakes of this budget is that it has two rows, one for revenues and one for expenses, but instead of revenues the row should be called capital, because whatever you bring in, in return for revenue, is the nation's capital.

In explaining this portion of his talk, he said: Oil is the nation's capital, and 80 to 90 percent of the nation's revenue comes from oil, and 10 percent also comes from the sale of industrial products. In this budget, there is also some money from foreign returns, such as France's loan of one billion, none of which are revenues. All are capital, and tax collections are also 70 to 80 percent of imports, most of which depend on foreign exchange.

He said: The budget has never moved along the lines of the Five-Year Plan, because in the Five-Year Plan taxes are to account for 44.3 percent of all the government's revenues, yet in this budget this figure has not even reached three percent.

Elsewhere in his talk, the Shahrud deputy said: Expense and revenue figures and statistics do not conform in any way with the Five-Year Plan.

Giving an example, he said: Total revenues expected in the Five-Year Plan for next year is 5,590.5 billion rials, yet in the government's proposed budget this figure has reached 10,511 billion rials. You see an increase of about 88 percent, and despite the increase of 4,915.6 billion rials over the ceiling set in the Five-Year Plan, fixed capital credits have increased only 1,441.6 billion rials, meaning that most of the increased revenues expected are to be spent on current expenses. The people must pay more taxes compared to the figure in the Five-Year Plan, and this increase will be spent on the government's current expenses. The interesting thing is that most of this revenue increase over the Five-Year Plan or foreign exchange ceiling is from increased taxes, which is too optimistic and will not be collected. The rest of it is to come from the sale of foreign exchange at high rates, and naturally both of these matters will bring the country up against more inflation than that expected in the Five-Year Plan, which is 11.2 percent.

He also added: Unfortunately, the nation's budget situation is like that of a bankrupt merchant who sells his capital and property instead of engaging in business and earning an income to meet his expenses. You see that the sale of oil means the sale of capital, the sale of factory shares is the sale of capital, collecting foreign debts such as the money owed by France means spending capital and reserves. Certainly, the budget will recover its health when revenues from the sale of oil are spent in the country on capital investments, when instead of exporting crude oil at cheap prices we export oil products with added value in multiples of ten, and in some cases even hundreds.

Explaining this part of his talk, he said: I support the sale of 90 percent of the factories under the nation's control, but on the condition that the rials so obtained are spent on basic investements in industry, not on current expenses.

Continuing, the Shahrud deputy said: Another point is that unfortunately the approved budget is not comprehensive. What we are approving in the name of a budget is at best two-thirds of the nation's budget. Every organization that forms a company to earn extra income will get most of the income outside of the nation's annual planning, and these same revenues will be outside the Five-Year Plan. They will be converted to several pointless exhibition halls costing several millions, parties costing several millions, gifts, trips abroad, office decorations for the heads of organizations, and vehicles, none of which are in the budget.

He criticized the allocation of foreign exchange at 70 rials to government organizations, and said: This is one of the most devastating things to do, and it will have the following irreversible effects:

1. Encouraging foreign purchases as much as possible, with much waste and discipation.

2. Fatal damage to domestic production.

3. The official rate effectively subsidizing the foreign producer instead of subsidizing the domestic producer.

4. Giving a hidden subsidy to the domestic consumer without concern for the amount of the subsidy, this in itself will cause waste and excesses in consumption and lack of reliance on domestic products.

'Ali Aqa-Mohammadi, [Hamadan Deputy] (Supporting)

It is unprecedented in history for the budget deficit to be only one percent of the gross domestic product.

'Ali Aqa-Mohammadi, Hamadan deputy, was the final speaker in support of the Budget Bill for 1371.

He discussed the point that there must be actions and reactions with regard to revenues. He said: We claim that we cannot change our position suddenly (if we are to be a good country). Therefore the way to reform is to follow the same path over the long term. When a country wants to put its affairs in order, it must adopt a long-term work policy, which we call the Plan, and it must insist that those goals be realized, so it will move ahead as the result of implementing several plans. You must realize that definitely in its first days the plan will be difficult and critical. These will not be days to be followed by good news.

The duties we assign to each of the sectors must be in line with revenues. If someone with low income takes on a larger responsibility, this does not mean that the responsibility will be carried out. It means that the work will be ruined, and we must therefore expect a bad future.

He then added: In 1350 [21 March 1971-20 March 1972], the gross domestic product was about 902.7 billion rials at current prices, and currency in circulation in the private sector was 296 billion rials. In 1356 [21 March 1977-20 March 1978], the gross domestic product was 5,762 billion rials, and private sector currency in circulation was 2,139 billion rials. In the year 1367, the gross domestic product was 23,048 billion rials and currency in circulation in the private sector was 15,687 rials (meaning 1.5 times as much [sic]). In the year 1370 the gross domestic product was 39,792 billion rials, and currency in circulation in the private sector was 26,250 billion rials. That is, your currency in circulation has increased regularly, and it has not reached the level of gross domestic product.

Mr. Mohammadi noted: The load which is given to the government, and the duties and responsibilities which are given to the government, are constantly increasing. Costs of education, health care, social security, and other things have regularly increased. Many people take the view that hundreds of tasks and various responsibilities must be given to the government. This path is a mistake, and it definitely leads nowhere.

Concerning taxes, the Hamadan deputy said: It is interesting that some people have come here saying that taxes are too high, why are you moving in the direction of taxes. In the year 1356, taxes were 7.7 percent of all revenues. In 1367 they were 4.3 percent, and in the year 1370, in view of the fact that we are moving in the direction of the plan, they were 5.6 percent. In the budget we presented, we put them at 7.5 percent, meaning we still have a long way to go before we reach the 7.7 percent of 1356.

Aqa-Mohammadi explained that the nation's economy must be put in order through an understanding of its affairs. He said: We must pursue national concepts in the economy. These group, personal, and factional concepts have absolutely no existence in Iran's economy under current conditions. Take notice, the talks for and against the Budget Bill have not been factional at all. These are the views of individuals. However, instead individuals must talk with one another a lot. In my view, in these few months remaining in the life of the Majles these measures must be taken so that the right directions can be found for the country's situation and implemented.

He discussed the deficit in this year's Budget Bill. He said:

The most beautiful page in our budget is the deficit page.

Meaning that in all the years since 1350, 1354 [21 March 1975-20 March 1976], 1356, 1358 [21 March 1979-20 March 1980], 1360, the budget deficit has never been one percent of the gross domestic product.

Now they are asking, why are you going after foreign exchange? Who will get the difference between the cost of buying the foreign exchange and the sale price?

In answer to the above points, he said: Just as was said once or twice in the newsletters (of course most of the deputies are innocent), they distribute drafts in the area or give them to an individual and say to them, take this 60-toman foreign exchange and buy a machine-made carpet and you will make 20,000 tomans profit. Did we know where this money has been going? Now we have come and given this same money to education and training, along with 1,000 billion rials for adjusting the wages of employees, and this is a reality.

'Ali 'Abdol'alizadeh, The Commission Expert

Those who say that oil revenues were not collected in past years should see how much oil revenues were increased on the recommendation of deputies in the Majles.

After the completion of talks by speakers opposing and supporting the budget bill, the expert from the Majles Plan and Budget Commission defended the budget. He said: At the present time, in view of the things that have happened in the country, everyone has come to the conclusion that ten rials today are not equal to the ten rials we wrote into the Five-Year Plan in 1368 or 1369, but the budget deficit has the same ceiling. This means that the effect of the budget deficit has decreased.

He added: The amount of currency in circulation in society has increased. On the other hand, it has been said that the budget deficit itself has caused currency in circulation to increase and has been the main cause of inflation.

Should the government stand apart from the increasing amount of currency in circulation in society, or should it get involved and draw in some of the currency in circulation to be able to use it in the correct way for its own expenses?

If the assumption is that the government should not increase its revenues in order to deal with inflation, that the tax coefficients should not increase, the tax resources should not increase and that new revenues should not be provided for the government, this would mean that government revenues would stay at a fixed figure. If we are going to keep the government's revenues at a fixed level, will we also be able to keep its expenses at a fixed rate? If we are going to keep the government's expenses at a fixed level, this means that we will no longer build schools in the country, we will not develop health care, we will no longer invest, nor will we increase salaries.

He added: When costs go up and revenues remain fixed, we must increase the amount of the budget deficit, and when this happens we have increased inflation. The wise course is for us to reduce the budget deficit but increase

the government's revenue sources. When we say that the government should increase its revenues through the sale of foreign exchange, increased taxes, and other sources, if this is done properly not only is there no inflation, it is counterinflationary. We will not increase the currency in circulation in society, we will guide it along a proper course.

He emphasized: Foreign exchange policies alone cannot troubleshoot our nation's economic situation. Along with these foreign exchange policies, there must also be financial and monetary policies. If they come and raise the foreign exchange rate overnight from 70 rials to 200 rials, this will not solve anything.

Continuing, the speaker addressed opponents who had said that there will be no foreign exchange revenues. He said: The respected president of the republic agreed that the government should take an active approach to the price of oil and not permit imperialism to plunder our God-given capital. We cannot bring the revenue ceiling down so low that everyone will say the goal will be achieved, because this is putting a lock on the nation's budget. We will anticipate oil revenues in the budget at a level where political activities can be carried out, and then the government will be responsible for procuring those revenues. Some of you say that in the past the figures projected for oil revenues were not achieved. The reason was that if you look at foreign exchange revenues in past years and see how much they were increased in the Majles on the recommendation of Majles deputies, and on the other hand if you look at the oil revenue figure the government defended, this year you will retain the figure proposed by the Majles Plan and Budget Commission, which was reached in consultation with the Majles Oil Commission and with the agreement of the government. Just as we put a limit on borrowing, from the beginning we put a limit on foreign exchange revenues and we do not propose increasing foreign exchange revenues.

He also said: During the last three years, the nation's industrial sector added $10 billion to the annual budget, and $6 billion was consumed as an addition to the ceiling set in the Five-Year Plan.

Roghani-Zanjani, The Government Representative

Finally, Mas'ud Roghani-Zanjani, aide to the president of the republic and head of the Plan and Budget Organization, defended the national budget for 1371.

He rejected Morteza Aliviri's contention that the public budget is now only 22.5 percent of the gross domestic product. He said: The 38 thousand billion rials in the national budget compared to 47 thousand billion rials is more than 50 percent, and we cannot be very indifferent to the effects of such a volume of government expenses on the economy, and not look at it in terms of how it is spent.

He discussed the overall economy of a country and the policies to which the budget should adhere. He said: In any case, with the approval of the Five-Year Plan, the country has entered into an economic reform phase. If we look at the Five-Year Plan, we see that the policies that are in it, which represent a reappraisal of former policies, and as an aggregate we say they are policies adjusting the economy or its form. In view of the the conditions existing in the country, these policies must be followed.

The essential elements of these policies are:

1. Price reform: This must take place in the three markets, goods, foreign exchange, and currency.

2. Privatization: We cannot implement a policy of price reform without carrying out the task of privatization in the country.

3. Deregulation: In times of economic reform, we cannot use the same laws and regulations that were used as leverage when policies of economic stabilization were in force. For example we cannot use the same tax laws, export and import regulations, accounting laws, and monetary and banking regulations.

4. Reappraisal of government organizations and structures: We cannot retain this same aggregate of government organizations while at the same time working for privatization and deregulating prices, and saying that the government is on the one side, while the people are acting on their own.

If we do not implement all of these things at the same time, there will be no economic reform, and the nation's overall economic indicators will be worse.

If we implement price reform but do not change government organizations, prices will operate less in the interest of production. If we do not change regulations, corruption will get worse in the bureaucracy. We must look at these policies as a group.

He added: If the Majles creates laws and regulations allowing increased intervention by government organizations in physical activities of production and the economy, this is in violation of the Five-Year Plan and economic reform. If more organizations are added to the nation's existing organizations, this is in violation of the nation's economic reform. If regulations are created that make prices benefit the administrative system, the government and government monopopoly companies, this is in violation of the nation's policies of economic adjustment.

Some of the brother deputies have said that by increasing the prices of services in government companies, we have made them profitable. I say that if such a thing had happened—and it has not—it is these existing laws and regulations that have made that company an aggressor, that have given it the power of monopoly. The people also have no recourse against this company or this government monopoly production, they have no power to maneuver, and they have to accept any price it sets. There are laws and regulations that set the extent of

competition for producers and that spread inflated wealth over the economic playing field.

Zanjani discussed price reforms and their effects on the budget. He said: The most key and the most important price reform is in the foreign exchange market. Assuming we did not change the price of oil foreign exchange and kept the fixed rates of seven and ten tomans, then when foreign exchange revenues declined we still wouldn't be able to sell it. Selling is not the issue, the question is at what price we will sell. Economics is essentially a science of scarcity.

If our foreign exchange revenues fell below the expected level, would the free market price of foreign exchange stay at the same level of 140 tomans?

It would definitely increase. Will even this 60-toman foreign exchange that the government wants to give to produces be available in sufficient amounts? Even this will be limited, and necessarily those people who cannot get their foreign exchange from the government will have to go to the free market. The entire economy is not under our control so that we can dictate to the market to behave in a certain way. Even that seven-toman foreign exchange you distributed among the organizations—and you say that foreign exchange should not be sold to the power stations and the agricultural sector for more than seven tomans—you won't be able to provide it to them either. There are two possible conclusions, either we have to completely revise our program of reforms, or we have to say to those whose needs we met with seven-toman or 60-toman foreign exchange to go and get it from the free market.

He emphasized: You will not be able to order the price of foreign exchange the way you would like by controlling and fixing the price of foreign exchange at seven tomans. Throughout our 13 years, we have had a black market. If we want to fight against the point of stability that the market has set, we will be defeated. We cannot set any price we want. The price of foreign exchange depends on its supply, which has to do with oil revenues. In presenting the budget, Mr. Hashemi pointed out that our oil revenues follow policies, most of which are made outside of Iran. He mentioned two points, one of which is international economic stagnation, and the other is the political crisis in the Persian Gulf, the entry of Kuwait, the situation in the former Soviet Union, and the policy that Saudi Arabia has in relationship to OPEC, this is likely to affect our oil revenues. However, we cannot resign ourselves to no longer following a policy of development. Our diplomacy must make efforts in this regard. Through our political activities in the Persian Gulf with OPEC members, we must make efforts to keep the crisis America desires from being created.

He discussed the work that has accumulated for the ministries due to existing regulations, and he emphasized the need to reform the laws. He said: I ask the gentlemen who criticize how much foreign exchange we give to industry, how are we to operate industry? In this way we would have to tell industry to get the foreign exchange from the free market, to go and compete on its own, and if it does not produce the goods properly, if the quality is low or it goes bankrupt, it is on its own. On the other hand, if we do not carry out economic reform, don't you think this will happen abroad? If we sell foreign exchange for seven tomans, will the people receive seven-toman foreign exchange? If we stabilize prices, will the people really be able to buy at the same prices we want? In the course of this, wouldn't we strengthen a few people who have no background in production and who specialize in getting inflated incomes in short periods of time? It has been shown that agreements in principle with seven-toman foreign exchange cannot create an acceptable industrial structure in this country.

At seven tomans, everything is distributed, but when you make this same seven-toman foreign exchange 60 tomans, some of the factories stand. All of the nation's wealth resources have been consumed so that one factory can be created, then we reach a point of equilibrium and we leave the survival of this industry to its own marketing. We see that it goes bankrupt and goes its way. We still haven't reached a point of equilibrium. If we reach a point of equilibrium, some of your industries will have to close down, or we will have to make reforms in this structural aggregate, which needs reforms in finance, personnel, technology, and organization.

He added: We still can't deny the importance of the role of oil in the government's revenues, when we have put in the budget more than the fixed amount set in the Five-Year Plan for taxes. Assuming we do not have revenues from oil and other sources, our total budget is 10,000 billion rials. If we take out the 3,000 billion rials from taxes, we have about 7,000 billion rials. Sixty percent of our current 37,000-billion-rial budget is the 22,000 billion rials we pay for personnel and wages alone. According to the plan, your taxes are 3,500 billion rials, and the money we pay to staff employees, with all this talk about how they are under pressure and we have to raise their salaries, is 4,200 billion rials. Do your taxes really absorb the expense of personnel payments? If we want to raise taxes, there has to be economic prosperity, so that the minister of economic affairs and finance will be able to collect taxes from this private or government company. Don't we want to enact policies that lead to economic prosperity, if the government wants to take steps also? Instead we protest and then say why don't you raise taxes? Very well, raise taxes to a reasonable level. The producer will not produce. If it hurts him he won't come. An investor, a factory owner, or a producer has very sharp senses. Being involved with workers and various regulations, he will abandon the factory and leave. If there are to be increases in tax revenues and the government budget is to be made sound, there must be economic prosperity. We have at least set tax revenues based on the Five-Year Plan.

He added: We have set oil revenues. On the other hand, where are we going to get the 3,200 billion rials development investment in addition to what is left of current expenses? Very well, we set the price of oil revenues at seven tomans. Even with these needs specified by the Plan and Budget Commission and approved by the government, we said we will accept no more projects. This same respected Majles then brought out a number of new projects. Then it senses necessity, it came and even made additions. Now how will we pay for these things? We sell foreign exchange and then use the difference to create development projects, to build dams and roads. Is this a mistake? We do infrastructure work, we invest in water, soil, and education and training. Moreover, all of these things can be criticized, as to why so much was left undone. Then some of the brothers are criticizing the levels and ceilings of programs. If we do not carry out this foreign exchange reform, how do we expect to pay for these projects? Shouldn't we carry out the aims of the Five-Year Plan, which the respected Majles itself emphasized?

Zanjani said with emphasis: Reform in foreign exchange has given us a boost with non-petroleum exports, which we began in 1369 and where we implemented a series of deregulations in 1370. This year these exports have increased by more than $2 billion, which is unprecedented, and we must not obstruct this increase in exports.

The main factor in the increase in exports was foreign exchange price reform, and if we had not done this no one would have sought to export goods.

He added: We must turn the responsibilities of the government over to the people so that the people will organize themselves to meet their needs.

This year the government has turned over the control of projects to their own sectors. Of course in some places, such as higher education, due to the necessity we feel in this area, we can maneuver a lot with regard to private capital. Currently that sector is being treated as an aggregate, as have the large dams, but no such thing has been done elsewhere at all.

Concerning "reforms pertaining to privatization," Mr. Roghani said: The gentlemen are critizing the government companies. They said we have 2,500 government companies. The question of how a government company is defined is a separate matter.

First of all, the 2,500 figure is a statistic from the Accounting Organization, and the Accounting Organization, because of the extent of its work, also includes the Foundation for the Oppressed and the Self-Sacrificing Devotees, along with the Martyr Foundation and others, and they have grouped all of these.

Currently the Foundation for the Oppressed and the Self-Sacrificing Devotees, the Martyr's Foundation, and other foundations are not at all organized in conformity with the same law the respected Majles approved. It is acceptable that unified management be established in the economy, and the government confirms this. There is also strong logic in the idea that the private, public, and government sectors must adhere to the government's policies, both because of management and because of the economy. Anarchy and feudalism in the economic sector will have no result other than economic collapse.

If someone else goes and does not adhere to the government's policies, the public is unhappy and the government responds, this is not acceptable. Unity of management and organization in guiding the economy is logical, especially in conditions where we are in a transition and crisis phase. There is chaos in a period of transition and crisis. You take the patient into a room and operate. His whole system is falling apart, blood is being lost, he is fading, and a thousand things could happen. Management must be centralized in the operating room. In the area of the economy, every person and element must adhere to the government's economic policies and follow the government's economic management.

Continuing, he said: I have been coming to see you in the Majles for eight years. In these eight years, one of the important points the brothers have discussed with regard to the budget has been this very question of government companies.

In the policy of adjustment, we have said that we will transfer these companies with budget provisions. Let me state clearly as a specialist on the budget that if you want the companies to operate in an orderly way, not wasting resources, without such abuses, this does not mean that they should come here and we see their budget and put an accountant over them who has to approve every expense item listed by the executive director and report to us, and in these eight years we see that we have done all these things. I can even show you the minutes, but ultimately you find two points and criticize them.

For this reason, in economic reform and in policies of economic adjustment, we have asked why there have to be so many companies in the government, with a minister over every 10 to 20 of them. Let them go, if it is not in violation of the Constitution.

If we centralize and limit the number of companies, we will be able to take better care of them than we would if there were a lot of them. We have begun transferring companies in accordance with the Five-Year Plan. We have already transferred some of these companies. The government is moving in the direction of privatization.

If a company goes to the free market and they buy its shares, the shareholder will stand over the executive director's head 365 days a year, watching expenses and the market every day and then things will get done there. Or you could have someone coming to the Majles with numbers and figures once a year, and people standing up and talking about seven-toman foreign exchange and saying we have done damage. Which is the solution?

Continuing, he said: With regard to the "adjustment policy", the government has put the transfer of government companies on its agenda, and in some of these notes you have put in their revenues for government expenses. We have no other way, other than superficial physical and mechanical control, than to let the rigorousness of the market make them "efficient". If they have too many workers and employees, let the market tell them they have too many workers and employees, rather than me going to them on behalf of the Plan and Budget Organization asking them why they have too many workers and employees, or asking them why they have a three-year supply of materials instead of a six-month supply, and having them say they were afraid the price of foreign exchange would go down in the future, so they have supplies for a year or two in this complex. If the factory were in the hands of its owner, however, he would not do this. Of course, if we were to sell seventoman foreign exchange to the private sector, they would buy supplies for ten years.

Roghani-Zanjani then discussed organizations. He said: With regard to organizations steps have been taken and my personal view is that if instead of consolidating the ministries we added to their numbers, it would be a violation of the principle of economic reform. We must do a lot of work on the nation's organizations. In the work of "deregulation," we must greatly reduce the number of government organizations, otherwise we will not be able to achieve economic prosperity and reform in the country. Of course, for example the respected Majles itself has taken a series of steps in the budget concerning the organizations, which will be discussed when the time comes.

Continuing, he said: I want to respond to a memo or a question from one of the brothers, who said: The respected president of the republic, instead of comparing his own indicators with the year 1350, compared them with the budget operation.

First, I don't know if our brother listened to Mr. Hashemi's speech or not, whether he did not hear his report on the six-year plan, or if he wants to learn more. In any case, the work done under the plan was discussed in detail, and since he gave a memo on the subject, I will discuss the work done under the plan here. What position has the government reached during this period of just over two years, under policies that the respected Majles itself approved, communicated, and supported, and with regard to which the Majles rightfully supported the government? In the total economy for the year 1369, the growth of the gross domestic product was 9.10 percent under the plan and we had 10.5 percent gross domestic product. It was 4.6 percent in the agricultural sector of the plan and we had 4.7 percent growth there. In the industrial sector, 15 percent was the figure given and we had 17.2 percent growth. In the water, electricity, and gas sector, which is under Activities for Infrastructure, the Requirements for Expansion, and National Economic Equipment and Investment, we went from 7.2 to 15.3 percent, or twice as much. Because of the thriving economy and the volume of shipping, freight and transportation increased from 5.7 percent to 20.5 percent. In the plan the price indicator was expected to grow 16.8 percent, but in 1369 it actually grew nine percent.

I will give an instance or two in each sector. For the year 1369, the plan provided for a growth of 150 kilometers, in the length of the rail network, and we had a growth of 260 kilometers in the length of the rail network. With regard to the teaching and training sector, we achieved 102 percent of the plan's goal for the literacy rate of the population aged six and above. With regard to other indicators such as training and continued education of teachers, the figure was 104 percent, meaning we were four percent ahead of the plan's target. In secondary education the figure was 107 percent, in the rahnema'i schools the figure was 102 percent, and the figure was 101 percent in elementary education for children required to attend school.

As for the higher education indicators, the number of government students per 100,000 popolation for the year 1368 was 422 in the plan, and actually 441. In the year 1369 this figure was 454, and under the plan it was set at 515.

In the health and treatment sector, the ratio of physician to 1000 people population, has been 100 percent achieved. Concerning the opening of rural health care and treatment centers, this has been 82 percent achieved. Concerning the opening of urban and municipal health care and treatment centers, this has been 127 percent achieved. The number of hospital beds for every 100 persons has been 100 percent achieved.

These are some of the indicators we had in the Five-Year Plan.

Concerning bringing the budget into conformity with the Five-Year Plan, he said: We weren't able to predict exactly so that if there were indicators in part of the Five-Year Plan for the budget, these indicators would have to be looked at by the respected deputies. For example, the extent of change in government expenditures is not important, if there is income to cover it. The important thing is the volume of borrowing, and the second thing is the percentage of revenues borrowing represents. For example, in the Five-Year Plan taxes are just over 2,500. As requested by the brothers, we have brought in a budget with taxes set at just over 2,500. The reason we put just over 3,500 in the Budget Bill is that we came up with that using an indicator from the Five-Year Plan.

The plan says that taxes must not be less than 7.6 percent of the gross domestic product. Because we have implemented price reforms, there has been some economic prosperity in the country. The gross domestic product has increased compared to the Five-Year Plan, and therefore we must collect more taxes, and in proportion to this change in revenues, expenses will also increase, but with that same logic that I referred to previously.

If the respected deputies have criticisms of the budget in relation to the Five-Year Plan, in these matters they should have criticism.

He added: Mr. Hashemi's guidelines also said that we have too many projects being implemented. The nation's executive capacity cannot handle an excessive amount of these projects. The deputies report that the executive organization has not yet gotten a contract and a consultant. The executive organization goes out looking for a consultant and a contractor, but they are booked up, and when they exert a lot of pressure, the price is several times what it should be.

In any case, with regard to contractor and executive capacity, let me say that it will be unjust if any more projects are carried out. If some minister is asked why projects weren't implemented he will have to say it isn't possible and they can't.

We must establish a point of equilibrium in the country, and this series of policies will also be in the nation's interest. Consequently, the budget has been made to conform to the Five-Year Plan, and no offense of any kind has been committed.

He defended the budget against criticism regarding current expenses. He said: What are our current expenses? Thirty-five percent are in the educational, higher education, technical, professional, and health care and treatment sectors.

Another 35 percent is in the organizations that govern, such as the prosecutor's office, for a total of 70 percent, making up some of the government's main responsibilities. What expenses have we added other than these? They say the 35 percent for higher education and education and training is current expenses. If it is current expenses, then why do the respected Majles deputies raise the wages of professors here in this Majles? Why were the wages of teachers changed in various ways in the Majles five years ago? If current expenses are bad, why did we change all the wages in accordance with the Uniform Payments System Law?

At this time one of the criticisms that the Higher Education Commission may make is that we do not have enough teachers of acceptable quality in the Ministry of Education and Training. Of course, the efficiency of our educational units is something that can be discussed, but can we continue in this way, spending any amounts of money, and treat the question of whether it is beneficial as a separate matter?

What do we do with the money for current expenses? Let's say we give it to teachers, laboratory facilities, and educational institutions. We must not speak this same way when talking about current expenses. Moreover, when investments are made for development projects you build roads, dams, health clinics, and hospitals. When the hospital goes into operation and the road is ready to use, doesn't the road have to be managed, and doesn't the Ministry of Health have to hire personnel to manage that unit?

Thus development and current expenses are not separate from each other. They are related. Economic reform says: If a group of people want to pay their own money to manage education and training, then let them pay it and let the government pay in the places where the people can't pay. When you connect the government to everything, every year you see a decline in the quality of education, training, and higher education in the country. Let the capital of the people come to the educational sector so they can take some of the load off the government's shoulders and the government can concentrate on other matters. The current expenses that the gentlemen criticize are like this. We have set aside only 1,000 billion of the current expense funds for the Uniform Payments System. If we remove that and the 25 percent for education and training, what is left?

He discussed proper implementation of the budget. He said: I listened carefully to the speeches of the brothers, and I could not tell what the problem was with the way the 1370 budget was implemented. We put in expenses where they were covered by revenues in the budget. Now many deputies have been coming with needs, and they are right. I told them that the government's revenues are not high enough that they can be increased in the budget.

We implemented exactly the same budget that the respected Majles approved, and in subtracting the budget you take note as to whether we committed any violations or not. We did the same thing with regard to the foreign exchange budgets.

With regard to the 1370 foreign exchange budget an effort was made to keep it within the limits of revenues. Now the Central Bank has exercised control of expenses, and you have seen the complaints from the executive organizations to the specialist commissions. Therefore in this regard also the government has committed no offense of any kind in implementing the budget.

In conclusion, he said: I ask that the same attentive spirit that some of the deputies gave to the limited resources and the failure to issue new projects be at work when the notes are presented so that we will not be faced with problems implementing the budget and so we will be able to see the positive economic effects of this budget in the nation's "overall economy".

Letter From More than 140 Majles Deputies to the People of Algeria

In the Name of God the Merciful, the Compassionate

Indeed God will never change the condition of a people until they change it themselves. [quoting the Koran]

The people of Algeria will achieve Islamic rule.

Ayatollah Khamene'i, leader of the Islamic revolution, great nation of Islam, months ago the government of

Algeria sensed the danger of an uprising by the Muslims of that country who are seeking to achieve their Islamic and national identity. To silence that comprehensive uprising, that government arrested and imprisoned a great many leaders of the Islamic Salvation Front.

Despite the Algerian government's opposition to the aforementioned front and the imprisonment of the leaders of this front, the people participated extensively in the elections, and more than 80 percent of the seats in the Algerian parliament went to the Islamic Salvation Front.

From the earliest days of this great triumph, world-devouring America, bloodthirsty Zionism and the reactionary nations of the Middle East were angered by the growth of Islamic fundamentalism in Algeria, and began serious opposition to the views, thoughts and inclinations of the people of Algeria. Ultimately the leaders of the ruling party, with instigation from the West, America and some military leaders, persuaded the president of the republic of Algeria to resign and then there was in effect a coup d'etat in Algeria, with the result that the elections were nullified and the military men and supporters of the West controlled the fate of the nation of Algeria for two years.

The question now before one billion of the world's Muslims and millions of freedom-loving people and supporters of democracy all over the world is why the UN, the Security Council, and the Human Rights Organization is keeping silent on this matter, and the countries calling for human rights are defending the coup d'etat in Algeria, the same countries whose propaganda on human rights and observing democracy in the world has deafened the ears of nations of the world. On this same pretext, they interfere in the domestic affairs of the Islamic and Third World nations, calling for supervision of the way elections are held in these countries, and in accordance with this same policy they interfered in the Nicaraguan elections.

The Islamic nation senses fully the hand of world-devouring America and bloodthirsty Zionism in the Algerian coup d'etat, and this criminal act, which violates democracy and freedom, is being condemned throughout the world, and they will mount serious opposition to it over the long term.

In the long run, America will not have the ability to oppose the searching thought of orthodox Islam and the will and resolve of nations, and they will never forget the evil clash with the views of the people of Algeria.

While deploring the bitter events and violations of human rights by Western-leaning elements in Algeria and their supporters, we deputies of the Majles ask the government of the Islamic Republic of Iran to discuss seriously in international gatherings the question of the wishes of the people of Algeria, and to give priority in regional proclamations to the topic of the wishes of the people of Algeria and human rights violations in that country, for the Imam of the nation (peace be upon him) said "the criterion is the vote of the nation".

* Editorial Remarks on Election Qualifications

92AS0535A Tehran RESALAT in Persian
12 Jan 92 pp 1, 16

[Editorial by Ahmad Tavakkoli: "Which Ambiguities?"]

[Text] "In discussing the latest Council of Guardians interpretation of Article 99 of the Constitution, the minister of the interior mentioned the legal ambiguities, and emphasized: In view of the problems the decision makes for us, the ultimate solution will be carried out in accordance with the leader's guidelines".[1]

The view of the Council of Guardians on the elections is still a hot topic after several months. The essential issue is this: The Election Law has given the characteristics of election candidates, qualities that they certainly must have, such as literacy, adherence to the commands of Islam and the principles of the Constitution (practical commitment), and they must not be tainted with qualities such as affiliation with the corrupt former regime. The executive council is given the responsibility of determining whether these characteristics and qualities are present or absent. The executive council is made up of trustworthy people selected by the governor, who represents the executive power.

In Article 99, the Constitution assigns supervision of the elections to the Council of Guardians. The philosophy of this supervision is also control of the executive power by an important part of the legislative power and an organization connected with the chief jurisconsult, so that, God forbid, the desire for power, to which the executive power is naturally exposed, will not lead to limitations on the expression of the true vote of the people.

Clearly, one phase of supervision is supervision of the work of the executive council, to determine whether this council has properly determined the competence of candidates or not. Just as the executive council could make a mistake in determining that an individual is not qualified and reject his competence, there is also the possibility that either in error or out of self-serving motives, it might present someone with no competence as a competent person. Some people, including the Ministry of the Interior, claimed that since the second part of the issue was not stated clearly in the Election Law approved by the Majles (no matter how implicit it is), the executive council's task of confirming an individual must not be controlled by the Council of Guardians, and that this supervision must be exercised only when someone's competence is rejected.

Although the incorrectness of this reasoning seems clear, at the same time to resolve the dispute the chief of the Central Executive Council asked the Council of Guardians to announce a final opinion in an interpretation of Article 99. The interpretation was presented, clearly stating that the supervision is commendable, meaning that in all phases the lawfulness and propriety of tasks should be confirmed by the Council of Guardians.

Following this interpretation, a new claim was made that although the Council of Guardians' interpretation was in keeping with the Constitution, the principles of the the Constitution are not directly implementable, and that until they are expressed in the form of ordinary law, the executive power does not have the right to act on them! This means that the Ministry of the Interior can refuse to implement it. Mr. Nuri, the respected minister of the interior, also took a slightly more cautious position, and expressed only "reluctance" to implement the Constitution without having a regular law.

The incorrectness of this doubt is so clear that it does not require great intellectual effort to see it. Tens of principles in the Constitution are being implemented without any ordinary laws. I direct the attention of the respected minister of the interior to several examples of that from Part Nine of the Constitution pertaining to the executive power:

Article 124 authorizes the president of the republic to select his own aides. This has also been done. Has the Majles enacted anything in this regard?

The respected minister of the interior, like other ministers, without any special law requiring him to write and issue guidelines, writes guidelines or gives instructions to his colleagues through guidelines. On what Majles legislation is this based? Article 138 of the Constitution authorizes this, and it requires no ordinary law.

Based on Article 138 of the Constitution, the speaker of the Majles must be notified of measures taken and guidelines issued by the government and its commissions so that he can send them back for revision, giving the reason, in case they are in violation of the laws. This is being done even now. Is correspondence between the government and the Majles in this regard (which is also published in the official prosecutor's office newspaper) done on the basis of Majles legislation and ordinary law?

There are many examples. For example, with regard to the legislative power one can cite articles 73, 74, 75, and 76, which the deputies must observe without the need for ordinary laws.

If the basic law is the Constitution, it must be implemented. Only some of them require Majles legislation for implementation, not all of them. If all the articles of the Constitution required laws enacted by the Majles for implementation, on the basis of what law would the Majles itself be formed to be able to enact laws? Isn't this circular? The Majles is established based on implementation of the articles in Part Six of the Constitution, not on ordinary laws.

It is now appropriate that we ask Mr. Nuri, where is your ambiguity? The interpretation of the Constitution, according to Article 98, is the responsibility of the Council of Guardians. The interpretation of Article 99 has also clarified the limits of supervision in terms of the Constitution. Should implementation of the Constitution cause problems? The words of the minister of the

interior coming from another source are also worthy of attention. There have been many efforts in the last year on the part of a group of Majles deputies to limit the supervision of the Council of Guardians. This effort has gone through all of its legal phases. After these doubts were expressed, the first vice-president of the republic announced clearly that the interpretation of the Council of Guardians is binding for all organizations.[2] Should the minister of the interior, as the main executor of the elections, be expressing doubts about the legality of the work and lay himself open to charges that he is defending a special group of Majles deputies? Do positions like this encourage the people to take part in the elections? Our brother Mr. Nuri is an intelligent and influential person, and he must not overlook the effects of taking positions like this.

Footnotes [as published]

1. KEYHAN Thursday 10/19/1370 [9 January 1991]

2. RESALAT Monday 6/18/1370 [9 September 1991]

* Editorial Comments on Next Years' Budget

92AS0534A Tehran RESALAT in Persian
16, 18, 20 Jan 92

[Editorial by Ahmad Tavakkoli: "A Few Points About Next Year's Budget"]

[16 Jan pp 1, 16]

[Text] Deliberations began yesterday in the Majles on the Majles Plan and Budget Commission's report on the Budget Bill for 1371 [21 March 1992-20 March 1993]. The government and this commission must be thanked for starting their work on time and within the lawful time, especially since the Majles Plan and Budget Commission presented clear, necessary, and useful tables on the changed figures to the deputes, which improve the possiblility of studying the viewpoints.

1. The budget is an image of the government's annual revenues and expenditures, in which the real policies and goals may to a great extent be observed. One important objective in making a sound budget is balancing revenues and payments. The budget deficit, which is caused by having more expenditures than revenue, has been one of the main contributors to the nation's economic disorder on a continuous basis.

Since the government of Mr. Hashemi-Rafsanjani came to power, great efforts have been made to control this sickness-causing factor, so that in the year 1367 [21 March 1988-20 March 1989] the budget deficit was more than 50 percent of the total budget, while in the years 1368 [21 March 1989-20 March 1990], 1369 [21 March 1990-20 March 1991], and 1370 [21 March 1991-20 March 1992] it was 25.6, 9.6, and 12.2 percent of the budget, respectively. In the table the commission has presented it is anticipated that next year the budget deficit will be only 7.1 percent.

Of course, there is the serious question of whether the anticipated revenues and expenses will actually occur so that the budget deficit will remain at that level. It appears for the following reason that the revenues projected are optimistic and are unlikely to be achieved:

Oil revenues are expected to be 5,124 billion rials, or 50 percent of the total revenues. This amount is estimated based on expected crude oil sales of $16.5 billion. Yet there has been a sharp drop in oil prices, so that these days, despite the cold season, instead of the $21 of a few months ago, a barrel of oil is now selling for $15. Apparently, the heavy sales by Saudi Arabia have reduced prices in order to fight the American economic recession and get Bush reelected. Sales by Kuwait and Iraq are gradually increasing on the market, and it appears unlikely that Saudi Arabia will stop its criminal activity, because the revival of the American economy requires continued low oil prices.

It is therefore wise to expect oil to remain cheap, or even to drop further in price. This year, when oil prices were high for most of the year, oil revenues will come to about $16 billion. Therefore, the $16.5 in projected oil revenues seems unrealistic. In view of the fact that half the government's revenues are derived from oil sales, any kind of change in the oil market will severely affect the government and the nation's economy. For example, if it decreases ten percent, the budget deficit will be at least five percent more than anticipated.

Another of the government's successes has been in increasing tax revenues in recent years, so that tax revenues increased from 27 percent of all revenues in 1369 to 29 percent in the current year (1370). It is expected that taxes will make up 34.6 percent of next year's revenues, meaning that the government's annual tax revenues will increase from 1,695 billion rials in the year 1369 to 3,538 billion rials next year. In the first seven months of the current year [21 March-22 October 1991], the taxes collected were ten percent more than the amount approved in the budget for 1370. Apparently this same successful trend caused the Majles Plan and Budget Commission to set collectable taxes for next year at 124 billion rials more than the amount proposed by the government. Apparently the Ministry of Economic Affairs and Finance does not consider the amount set forth by the commission to be collectable. It appears that this figure also will not be achieved. It is even questionable whether the amount proposed by the government will be collected, because the taxes collected this year were the result of the economic performance for 1369, and the foreign exchange expenditures for 1370 were much less than in the year 1369, and since the movement of the nation's economy is very dependent on this factor, it appears that the total economic activity for this year will be less than it was last year. For this reason, there is a significant likelihood that tax revenues will not increase to the level expected.

In view of the above points, it is wiser for us to accept revenue figures for less favorable conditions, and

arrange the budget on that basis, while at the same time providing some notes specifying how we should divide revenues among the sectors in the event that they increase. In this way, we will be hurt less by fluctuations outside our control, and domestic decision-making capability will be less subject to the influence of outside pressures. Let us not forget that economic stability and the ability to make independent decisions are more valuable economically and politically.

In defending the figures for oil sales, one commission member acknowledged implicitly that they are inflated and claimed that to assume a low price for oil in estimating revenues is to accept the American plot! Yet failure to heed the vulnerable structure of the nation's economy by inflating projected oil revenues means we will be eating both the stick and the onion. In other words, we will have both the real effects of the plot in the form of reduced revenues, as well as the fluctuations caused by unrealistic hopes. The way out is to expedite policies reforming the structure of the economy to deliver us sooner from a dependent economy, something that unfortunately, due to the effects of domestic political pressures, is not proceeding with the requisite speed.

[18 Jan pp 1, 16]

[Text] In Thursday's editorial, it was stated that economic realism anticipates lower oil and tax revenues than that expected in the Majles Plan and Budget Commission report, so that foreign fluctuations will do less damage to the nation's economy. Now the second point is presented.

2. One revenue row in the budget is called "Revenues Derived from Government Monopolies and Property". How much of the government's revenues do you suppose are derived from the property of companies and government institutions, such as banks?

Only one percent! Do not be surprised. The government's proposal in the bill was 97 billion rials. If we add the taxes from these same companies to this revenue, the total share of these two items in revenues is 4.6 percent of the government's total revenue.

It is interesting if we realize that in return for the 97 billion rials the government companies and institutions pay into the government treasury, they receive 236 billion rials as compensation for losses from the treasury. That is, out of the nation's purse they spend 2.5 times the amount they pay into the treasury.

The role of all of these companies in the nation's economy in terms of the budget is more than 1.5 times that of the government. The government companies and institutions have an annual budget of 18,000 billion rials.

The volume of the national budget is one of the government's important instruments of financial policy. As long as the government companies and institutions have a role that is this extensive in the nation's economy, all the efforts by the government and the Majles to make calculated use of this financial instrument will have less than half the normal effect. For example, while the government and the Majles are trying to reduce bank loans by cutting the budget deficit, these companies can increase the government's debt by going directly to the banks and borrowing money, and make the monetary policies even less effective. For example, in the year 1368 the indebtedness of these government companies and institutions to the banking system increased by 128.3 billion rials, but in the year 1369 887.3 billion rials was added to the indebtedness of the companies. That is, the volume of money in circulation was increased without the control of the government and the Majles.

It must be noted that hundreds of producing and commercial companies in national industries, and some other ministries other than the government companies and institutions mentioned above, nationalized industries, and some companies in the other ministries, do not pay even a single rial in share profits to the treasury. In a positive measure called "Revenues Derived from Government Monopolies and Property", the Majles Plan and Budget Commission has provided 100 billion rials revenue from the sale of national industries on the stock market.

However, the revenues of these companies are still not being deposited into the treasury. Revenues of previous years from these companies and revenues from the sale of shares in the last year or two, after adjusting for the losses of money-losing units, will be used for new investments. Another positive step is that in Paragraph H Note Two of the bill being studied in the Majles, the formation of new companies by any of the formerly mentioned companies (whether government or nationalized) will not be authorized without Majles approval, and in this way the spread of the government's range of intervention will be controlled.

A basic question in this regard is: For what reason is the transfer of these companies to the public, which has been working its way through the various legal steps since 1367, proceeding so slowly, resulting only in a tortoise-like action on the stock market? What action has been taken so far by the commission mentioned in Note 32 of the Budget Law, which is supposed to separate the profitable activities of government companies from the service and support activities? The president of the Central Bank has said that the share of the government sector in the nation's economy is 60 percent, and only the remaining 40 percent is in public hands. Why shouldn't the government's expenses be decreased and production and employment increased by turning activities over to the public? Why should we allow the nation's limited resources to be wasted in the government bureaucracy, while at the same time administrative corruption gets deeper? It is a mistake for us to think we can solve the problems of the nation's economy just by implementing a few foreign exchange policies.

The right path is the rapid sale of those government and nationalized companies and institutions that do not need to be administered by the government, and to use the revenues thereby obtained to complete and expand important development projects, thereby both reducing the budget deficit and, by expediting the start-up of development projects, creating an economic return for the government and the nation. At the same time, by turning the work over to the people, the productive capability of the transferred units will increase.

[20 Jan pp 1, 16]

[Text] One sign of a healthy budget is an appropriate relationship between the development budget and the current expense budget. In our country's situation, the larger the development budget is in relation to the current expense budget, the more investment there is compared to consumer expenditures. It is something to be thankful for that the percentage of the development budget in the total budget has gradually been increasing in recent years, and fortunately there is a steady increase. While in the year 1367 only 19.4 perdent of the total budget (less than one fifth) was spent on development work, in the years 1368, 1369, and 1370, this figure has increased from 21.6 to 29.2 to 31.5 percent, and according to the report from the Majles Plan and Budget Commission, God willing next year 33.3 percent (one third) of the total budget will be spent on development activities. In the same regard, the share of the current expense budget has gradually decreased from three-quarters of the total budget in 1367 to two-thirds in 1371. This means that for every rial the government spends, every year more is spent on production, employment, and infrastructure.

Another positive point about the development budget is the greater success in drawing it. This could indicate a realistically designed budget. For example, the allocation of the development budget in the first six months of the year was 102 percent, meaning slightly more than its total allocated budget share for the six months.

There is also a point of hesitation, however, which demands a new budget reform. Does an increase in the development budget by itself mean an increase in the real amount of development work? Are inflation, weak management, executive malfunctions, shortages of materials, shortages of machinery, and other things made up for by these increases?

Although unfortunately the Plan and Budget Organization has not provided the necessary information in a timely way concerning the physical advancement of development work, and the fulfillment of the responsibility mentioned in Note 34 of the Five-Year Plan Law is behind schedule, at the same time, in view of the indications given below, the answer to the above question can be found with acceptable probability.[1]

While the proposed development budget for next year is 34 percent higher than that of the current year, the official list of contractor operations for the current year alone has increased 37 percent. At the same time, for many development projects, at the official figures contractors are not to be found when calls for bids are issued, and the Economic Council is constantly being asked to dispense with the formalities of bidding,[2] so that the number of these requests on the Economic Council's agenda is very high. The difference between the estimated cost of projects and the price agreed to by contract with a private contractor is quite scandalous.

For example, the cost of the second section of the Sabzevar-Bordaskan road, based on the list of prices for the year 1370, is 1.5 billion rials, but the relevant three-person commission asked the Economic Council for authorization to sign the contract for 2.45 billion rials, meaning that the true cost of this development task will be at least 63.3 percent higher. Another example is section one of the Hamadan-Bijar road. According to the list of prices for the year 1370, the cost of this road should be 2.2 billion rials, but since no contractor was willing to take on the project at this price, it was proposed that by dropping the bidding formalities the task be done by a private contractor who offered to do it for 3.4 billion rials, meaning that if there are no more requested price increases (which they refer to as so-called adjustments), the increase in costs is at least 55 percent.

There are also severe problems procuring machinery and construction materials, so that even now there is intense competition between the government organizations to procure materials, and this very thing is one of the reasons for the sharp increase in their prices. Currently those government managers who want to complete their work more quickly are paying 350 rials per kilogram for iron parts instead of the official price of 130 rials from the Steel Company, and if they insist on getting the official price, the Steel Company calmly tells them to wait their turn! The same situation also exists more or less with regard to cement.

In reality, the volume of new and currently underway development tasks is such that it is neither compatible with the budget amount, nor with the physical scale of materials and machinery, nor with the executive capability. In other words, the demand for implementation of development projects is greater than the ability to supply the resources. When such a thing happens two things happen simultaneously. The first is unbridled price increases, and the second is that there is a great increase in the number of semi-completed projects. Both results are inflationary and problematical, because the pressure of prices disrupts the work and damages the government's prestige. At the same time, the cost of development without the expected returns increases, meaning that the concrete and steel set up, but since the projects are not made operational, they produce no return. Ultimately, inflation also continues because of this.

The solution is to put aside bravely some of the development projects with less priority, and for the respected deputies, instead of insisting on beginning new projects, to help the government by approving this measure and

explaining to the patient people. When it is not possible to control non-government demand for materials, a suitable way to control prices is to bring government sector demand into line with the supply of resources.

It is necessary also to mention a point with regard to the current expense budget. No matter how small their share in the total budget, current expenses are constantly increasing. At the same time, staff employees are faced with many problems in terms of their lives. If fully and simultaneously implemented, the Uniform Payments Law will increase current expenses in such a way that it will be absolutely intolerable, and with the relative inactivity, development work becomes like almond oil, which makes one more thirsty, and again problems will be created, not only for employees, but for the entire country. At the same time its gradual implementation, which is being done now, produces less peace of mind. The basic path is to reduce sharply the inflationary and unprofitable government organizations in terms of the number of their employees as well as the size and number of the organizations and operations themselves. Otherwise, such a huge bureaucracy cannot be an instrument of development, and neither will there be serious change in the condition of employees. The matter of transferring industry to the public sector can be connected to this necessity, in the sense that the shares of profitable companies can be given to extra employees as buy-back costs. The release of extra manpower should also take place, while providing them with short-term training appropriate to the labor market (with the help of the government and the private sector), and for a reasonable period of time until they find suitable employment, a partial salary can also be paid to them in addition to the share buy-back payments.

Although adjustment of the organizations in the government sector is a part of the Five-Year Plan and the policies announced by the government, unfortunately no important practical steps are to be seen in this regard. Such a task requires serious cooperation by all of the main leaders in the Majles and the government, and such an important and fateful matter absolutely must not be drawn into political affairs, which will bring no result. As a positive step, the respected Majles can hasten making its helpful decision concerning the proposal under consideration to consolidate the three industrial ministries.

Footnotes

1. Note 34 of the Five-Year Plan Law: (A) The Plan and Budget Organization must exercise constant supervision over executive operations, and at six-month intervals it must report to the government and the Majles commissions on the progress of the operations and how well they meet the goals set in the Five-Year Plan.

2. For the implementation of every development project, the pertinent organization must put out a call for bids so that whatever contractor proposes the lowest price will win the job. When there are not enough contractors volunteering, under the law the bidding formalities are dropped and a contractor is found through negotiations and at higher prices.